

Government That Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

HAMILTON TOWNSHIP BOARD OF EDUCATION

CHRISTINE TODD WHITMAN
Governor

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SEPTEMBER, 2000



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Hamilton Township Board of Education

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relative information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness on the part of most to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the district but do represent the cost of the school system's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective negotiation process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
HAMILTON TOWNSHIP BOARD OF EDUCATION**

Technology

By purchasing new computers via the bid or quote process the district could save approximately \$1,500.

The team recommends that the district consider utilizing the state's cost-per-copy contract when its existing lease purchase arrangements are completed, saving \$43,895 per year. The team also recommends that the district consider using digital and duplex photocopiers and printers for an additional savings of \$9,000.

By disabling optional services from the phone carriers, the district could save \$1,000. The district could save an additional \$10,000 by terminating cellular service, after a one-time expense of \$1,440 - \$6,000.

Instruction

Upon review of staffing and class size in the special education program, the team recommends that the district not fill four aide positions, saving \$65,500. The team also recommends that the district have 10 out-of-district SE students returned to in-district SE classes, saving an additional \$191,940.

Business Office Operation

By investing in the New Jersey Cash Management Fund (NJCMF), the district could save \$1,853 over the investment in the private institution.

Facilities & Operation

The team recommends that the district reduce two groundswoker positions, saving \$68,000. The team also recommends that the district implement a computerized work order system for an additional savings of \$15,000.

Transportation

By extending the time allotment for bus routes, the district could eliminate four bus routes through consolidation, saving \$45,000.

The district should consider charging a fee for transporting students who are not eligible for transportation, which would generate \$10,500 in additional revenue.

By using the various recommendations outlined for special education route costs, the district could save \$94,330.

Food Service

The team recommends that the district hire a part-time food service clerk to assist the cafeteria supervisor at an annual expense of \$9,600. The team also recommends the district solicit RFP's to privatize its food service program, saving \$62,513.

Collective Bargaining Issues*Custodial and Maintenance*

By eliminating compensation for licensing, such as black seal, and making it a condition of employment, the district could potentially save \$6,500.

Health Benefits

The team recommends the district negotiate to use a more practical cost-sharing plan. By using the outline recommended, the district could potentially save \$74,600.

The district should consider negotiating for both a three-tier co-pay and an "other-than-generic" pricing mechanism for its prescription plan, potentially saving \$16,500. The district should also consider negotiating a cost-sharing provision or a 50% premium co-pay for its dental coverage for an additional savings of \$61,000.

Shared Services

By eliminating the Scheduler of School Facility Usage and transferring the functions to the Municipal Recreation Director's Office, the district could save \$22,000.

<u>Areas Involving Monetary Savings</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>* Potential Savings</u>	<u>Totals</u>
Technology				
Purchase new computers via bid or quote process		\$1,500		
Utilize state's cost-per-copy contract		\$43,895		
Use digital and duplex photocopiers and printers		\$9,000		
Disable optional services from phone carriers		\$1,000		
Terminate cellular phone service		\$10,000		
Cost of equipment to replace cellular phone service	(\$6,000)			
				\$59,395
Instruction				
Eliminate four aide positions		\$65,500		
Return 10 out-of-district SE students to in-district		\$191,940		
				\$257,440
Business Office				
Invest in the NJCMF		\$1,853		
				\$1,853
Facilities & Operation				
Reduce two groundswoker positions		\$68,000		
Implement computerized work order system		\$15,000		
				\$83,000
Transportation				
Extend time allotment for routes		\$45,000		
Charge a fee for transporting non-eligible students		\$10,500		
Use outlined recommendations for SE route costs		\$94,330		
				\$149,830
Food Service				
Hire a part-time food service clerk		(\$9,600)		

Solicit RFP's to privatize the food service program	\$62,513			
				\$52,913

Collective Bargaining Issues

Custodial and Maintenance

Eliminate compensation for various licensing, such as black seal

\$6,500

Health Benefits

Negotiate a more practical cost-sharing plan

\$74,600

Renegotiate prescription plan costs

\$16,500

Negotiate cost sharing or 50% premium for dental

\$61,000

Shared Services

Eliminate Scheduler of School Facility Usage transfer functions

\$22,000

\$22,000

Total Recommended Savings	(\$6,000)	\$632,431	\$158,600	\$626,431
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*\$158,600 not included in savings of \$626,431.

Total Amount Raised for School Tax	\$10,313,828
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Savings as a % of School Tax	6.1%
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Total Budget	\$23,666,418
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Savings as a % of Budget	2.6%
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Total State Aid	\$12,589,321
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Savings as a % of State Aid	5.0%
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Potential for Savings

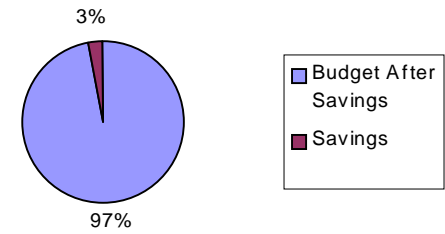
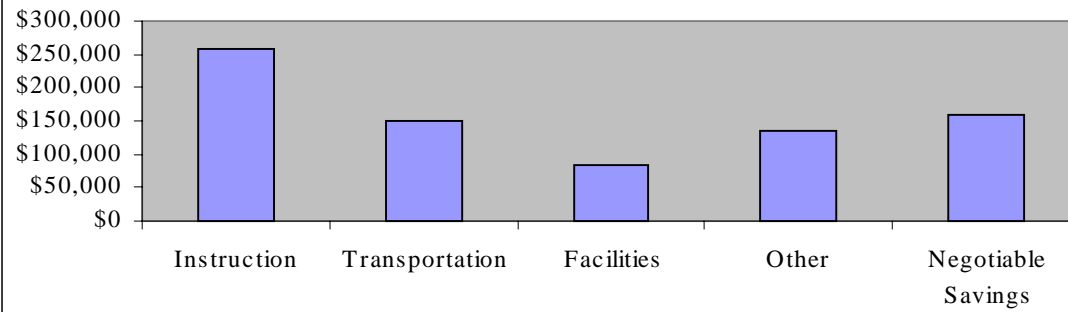


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COMMUNITY OVERVIEW

The Community

Hamilton Township, in Atlantic County, is a semi-rural township located in southeastern New Jersey. It encompasses 115 square miles and has the distinction of being New Jersey's largest geographical municipality. With a culturally and socio-economically diverse population consisting of approximately 20,000 households, the township is experiencing growth in industry, commerce and residential development. Serving as a "bedroom community" for Atlantic City and the casino industry, additional population growth is projected as a result of planned casino industry expansion along with support industries in Atlantic County.

Hamilton Township is surrounded by Galloway Township, Egg Harbor Township, Weymouth Township, Buena Vista Township, the Borough of Folsom, the Town of Hammonton and Mullica Township. The Town of Mays Landing, located within Hamilton Township, serves as the Atlantic County seat. A mayor and council govern Hamilton Township.

The School System

The Hamilton Township School System is governed by a nine member elected school board, which oversees the educational, fiscal and human resources within the district. The New Jersey State Department of Education (DOE) identifies this district with a district factor group level of "DE." District factor grouping is a relative indicator of the socioeconomic status of citizens who reside in the district.

The Hamilton Township School System currently operates three elementary schools:

<u>School</u>	<u>Grade Levels</u>
The Shaner School	(preschool handicapped and grade 1)
The Hess Complex	(kindergarten and grades 2–6)
The Davies School	(grades 7–8)

A fourth facility, the Duberson School, located across from the Shaner School, with 18 available classrooms, is under lease to the Egg Harbor Regional School District as an alternative school. The Hamilton School District also maintains two classrooms in this building; one for classified emotionally disturbed students and the other for non-classified students needing an alternative learning environment.

Eighth graders, upon graduating from the Davies School, enter the Oakcrest High School, a part of the Greater Egg Harbor Regional School District, which consists of two high schools each with grades 9 through 12.

The district is presently involved in a building program to expand the Shaner School in order to accommodate preschool and full day kindergarten classes.

The student enrollment in this school system has been increasing over the past several years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
1994-95	2,263	3.8%
1995-96	2,341	3.4%
1996-97	2,502	6.4%
1997-98	2,511	0.4%
1998-99	2,577	2.6%

Over the past five years the student enrollment has increased by 314 students and projected enrollment calls for a significant increase over the next several years. Thirty-one percent of the students in the district qualify for free or reduced lunches. The student body is 30% minority (24% African American).

Hamilton Township's budgeted 1998-99 per pupil cost was \$5,951. This was \$1,260 below the state average for K-8 school districts. According to the NJDOE Comparative Spending Guide, out of 91 New Jersey school systems of operating type K-8/751+ students, Hamilton Township ranked 12th (low cost to high cost) in per pupil cost.

Though language, cultural and ethnic diversity in this district is growing, according to the 1999 NJ School Report Cards, 91% of the student body speaks fluent English with 5% speaking Spanish, 1% speaking Cantonese and 3% speaking other languages. The percentage of Limited English Proficient (LEP) students ranges from 1% in both the Hess and Davies Schools to 6% in the Shaner School. The overall student mobility rate for the district is slightly below the state average (15.5%); ranging from 7.5% above the state average in Shaner to 3.3% below the state average in Hess, to 4.1% above the state average at the Davies School.

The student:faculty ratios in the Shaner and Hess Schools are above the state average of 13.7:1, but that ratio for the Davies School is lower at 10.9:1. The student:administrator ratios vary greatly among the schools. Shaner is close to the state average at 322:1, while Hess is 248 students above the state average at 578:1, yet Davies is 62 students below the state average at 268:1. District-wide, according to the most recent NJ School Report Cards (1998-99), Hamilton has 259.2 students per administrator, as compared to the state average of 187.8:1. Using the same source, this district has 19.9 faculty per school administrator as compared to the state average of 15.2:1.

The instructional time at the Shaner School is 20 minutes below the state average of 5 hours and 30 minutes. On the other hand, the instructional time at the Hess School is 20 minutes above the state average at 5 hours and 50 minutes; and the instructional time at the Davies School is also above the state average at 5 hours and 48 minutes.

There is one parochial school located in Mays Landing.

The average class size at each of the grade levels for the district as of February 1, 2000 is shown on the chart below. Concern was expressed regarding the potential need for additional expansion, in addition to the addition to the Shaner School, in the not too distant future.

<u>Grade Level</u>	<u>Average Class Size</u>
<i>Kindergarten</i>	20.5
<i>Grade 1</i>	23.3
Grade 2	21.3
Grade 3	25.0
Grade 4	24.8
Grade 5	24.1
Grade 6	25.3
Grade 7	24.6
Grade 8	25.8

As of February 1, 2000, the district has 227 certified and 117 non-certified employees, totaling 344 staff members. (Thirty-four of these staff members work part-time.)

The median teacher salary for school year 1998-99 (\$36,419), as well as the median administrator salary (\$66,748) are two of the lowest in Atlantic County. Referencing the NJ School Report Cards for 1998-99, the median faculty salary was \$8,454 below the state median and the median administrator salary was \$7,914 below the state median. Regarding years of experience, Hamilton's faculty median (9) is five years below the state median with the administrator median (21) being two years below the state median.

I. BEST PRACTICES

A very important part of each Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness:

Special Education Autism Program

In the 1998-99 school year, the Hamilton School District introduced an in-house autism program as part of its curriculum. This autism program currently services children ages three through seven at the Shaner Elementary School. The program utilizes the consultant services of a foundation with recognized experts in the field of autism. The classroom is staffed by a teacher of the handicapped and instructional aides who service the individual needs of the students. The foundation consults with and provides in-service training to the teachers, aides, child study team members and parents. Within the classroom, the discrete trail method of instruction is utilized. Socialization activities, social role modeling and the related services of occupational, physical and speech therapy are delivered in accordance with the children's Individual Education Plans (IEP's).

The opportunity for these students to remain in the community school also allows for mainstreaming where appropriate. The establishment of this program is financially prudent, as these students would otherwise receive a similar educational program at a substantially higher cost in an out-of-district placement.

During the 1998-99 school year, six students were serviced by the district's in-house autism program at an estimated cost of \$110,000 or \$18,333 per student. The county special service school district's annual cost (including transportation) for an autistic student was approximately \$30,000 per student. (The approximate cost to send an autistic student to a private school is over \$40,000.) By having an in-house autism program for six students, the district is saving a minimum of \$70,000 per year.

Special Education Pupil Assistance Committee (SEPAC)

The Special Education Pupil Assistance Committee (SEPAC) at the district's Hess School is a specialized committee that is convened on a scheduled basis to discuss concerns and problems related to students currently eligible for special education and related services. The membership of the committee includes, but is not limited to, child study team members, special education teachers, and school administrators. The purpose of SEPAC is to generate educational recommendations and to further accommodate students experiencing behavior problems, social difficulties and limited academic achievement. The members of the committee mentor and

support the teachers involved with implementing suggested modifications. These meetings take place throughout the year, in addition to the regularly scheduled Annual Review/I.E.P. meetings. This intervention is successful in helping students remain in the district, offering the least restrictive environment.

Depending on the specific disability, the cost (tuition/transportation) to send a student out-of-district would range from \$25,000 to over \$35,000. Educating an SE student within the district is estimated to cost approximately \$15,000 per year. The minimum cost savings for the district to keep an SE student within the district is estimated at \$10,000 per student. Since there is no additional cost for the district to maintain SEPAC, any intervention to keep the district's SE students in-house poses substantial savings for the district.

Hamilton Township Education Fund, Inc.

The Hamilton Township Education Fund, Inc., incorporated in 1981, is a non-profit community organization. Its mission is to secure contributions from individuals, corporations and foundations to benefit students in the school district. A board of trustees governs the corporation.

Each year the teaching staff is given an opportunity to submit a proposal for a mini-grant. The board of trustees selects several proposals and provides funds for educational improvement projects for the students. An average of five mini-grants is selected each year. Projects include the following:

- Weather Video Production
- An Ornithological Study of Bird Identification
- Greenhouse Project
- Art & Science Mural
- New Jersey Studies Program
- Sports Author Visitation
- Butterfly Wildlife Garden
- Stain Glass Windows
- School Quilt

The mini-grants have been selected to benefit many grade levels as well as interest areas. This foundation is beneficial to the entire school system.

Custodial Services

The district is to be commended for taking positive initiatives to provide a management structure and staffing levels (numbers, shift assignments and use of part-time staff where necessary) to provide clean schools in a cost-effective manner. Through the implementation of shift supervision and a new salary tier for janitors, it is estimated that the district will save an estimated \$51,000 per year in custodial costs.

Computer Technology

The district is participating in Bell Atlantic's New Jersey Program and has contracts for frame relay and ATM services, with discounts on the service free customer premise equipment. More than \$41,000 has been given to the district, and it is projected that the district will save more than \$18,000 on additional front-end equipment for its network.

II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found that the district makes a conscious effort to control costs and to explore areas of cost-saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as attainable goals. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

COMPARATIVE ANALYSIS

Many of the recommendations contained in this report are based upon comparisons of data from districts of similar locality, enrollment size, socio-economic District Factor Group (DFG), and operating type (i.e., K-6 vs. K-8 vs. K-12). Data is obtained from the districts' Comprehensive Annual Financial Reports (CAFR's), the Department of Education's Comparative Spending Guide and NJ School Report Cards. The school districts used for comparison with Hamilton Township include Galloway Township, Somers Point City, Upper Township, Barnegat Township, and all the K-8 school districts statewide with enrollments of 751 or more students (Total of 91 districts).

Tables 1 and 2 compare Hamilton Township's total revenues, general fund expenditures, and percentages of total budget from the 1998-99 CAFR with those of the four similar school districts mentioned previously. This illustrates the sources of those districts' revenues and where their general fund resources are expended. Revenues for "On-behalf of TPAF Pension Contributions" (\$434,593) and "Reimbursed TPAF Social Security Contributions" (\$655,893) totaling \$1,090,486 are included in Table 1 under "State Aid." Expenditures for the same amounts are included in Table 2. These are non-budgeted, offsetting revenues and expenditures for which the district is not legally responsible, but are included in the general-purpose financial statements for accounting purposes.

Tables 3A and 3B compare data provided in the Department of Education's Comparative Spending Guide. Data provided for school years 1996-97 and 1997-98 include actual costs, while costs for school year 1998-99 are from the districts' budgeted projections. The Hamilton School District's per pupil costs and ranking among the 91 K-8 districts of 750+ students throughout the state are provided. In addition, per pupil costs and ranking changes for the Hamilton School District over the last three years are charted. Although the Department of Education does not intend this data to be used by the districts to gauge adequacy or efficiency, comparisons of this nature are valuable for the purposes of this report.

The Hamilton School District compares favorably among the 91 K-8 districts mentioned above. Of the 20 categories that the Department of Education ranks, the district ranks in the top third in all but four categories. These variances will be discussed in detail in the corresponding sections of this report. Regarding the change in costs per pupil for the district over the last three years, the average increase of the costs measured was only 2.8% from 1996-97 to 1997-98 and was projected to increase 4.1% from 1997-98 to 1998-99.

Table 4 contains statistical data and staffing ratios from the NJ School Report Cards for the districts in our comparative sample.

Table 1										
Hamilton Township										
Comparison of Revenues										
Based on Audit Report as of June 30, 1999										
	<u>Hamilton</u>		<u>Galloway</u>		<u>Somers Point</u>		<u>Upper</u>		<u>Barnegat</u>	
	<u>Township</u>		<u>Township</u>		<u>City</u>		<u>Township</u>		<u>Township</u>	
Revenues 98-99										
General Fund										
Local Tax Levy	\$8,500,849	46.0%	\$11,457,774	40.4%	\$5,002,562	56.9%	\$7,679,844	39.0%	\$9,925,163	35.4%
Municipal Surplus							\$1,250,000	6.3%		0.0%
State Aid	\$9,631,201	52.2%	\$16,557,063	58.4%	\$3,613,920	41.1%	\$10,088,321	51.2%	\$17,139,374	61.1%
Federal Aid	\$32,177	0.2%	\$0	0.0%	\$2,266	0.0%	\$0	0.0%	\$0	0.0%
Tuition	\$0	0.0%	\$18,800	0.1%	\$0	0.0%	\$436,623	2.2%	\$0	0.0%
Interest on Investments	\$121,173	0.7%	\$0	0.0%	\$82,263	0.9%	\$131,668	0.7%	\$0	0.0%
Miscellaneous	\$182,132	1.0%	\$294,065	1.0%	\$84,189	1.0%	\$61,824	0.3%	\$1,001,661	3.6%
Total General Fund	\$18,467,532	100.0%	\$28,327,703	100.0%	\$8,785,201	100.0%	\$19,648,279	100.0%	\$28,066,198	100.0%
Special Revenue Fund										
State Aid	\$1,200,867	63.7%	\$536,639	46.0%	\$385,729	57.3%	\$158,296	29.7%	\$255,471	34.6%
Federal Aid	\$683,710	36.3%	\$631,086	54.0%	\$287,143	42.7%	\$361,489	67.8%	\$482,954	65.4%
Other	\$0	0.0%	\$0	0.0%	\$188	0.0%	\$13,238	2.5%	\$0	0.0%
Total Special Revenue Fund	\$1,884,577	100.0%	\$1,167,725	100.0%	\$673,060	100.0%	\$533,023	100.0%	\$738,424	100.0%
Debt Service Fund										
Local Tax Levy	\$1,812,979	49.4%	\$1,386,413	46.8%	\$1,073,011	67.5%	\$769,392	61.2%	\$371,138	33.1%
State Aid	\$1,757,252	47.8%	\$1,578,848	53.2%	\$501,318	31.5%	\$487,609	38.8%	\$750,726	66.9%
Miscellaneous	\$102,528	2.8%	\$0	0.0%	\$16,217	1.0%	\$0	0.0%	\$0	0.0%
Total Debt Service Fund	\$3,672,759	100.0%	\$2,965,261	100.0%	\$1,590,546	100.0%	\$1,257,001	100.0%	\$1,121,864	100.0%
Fiduciary Fund										
State Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Federal Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other	\$0	0.0%	\$98,926	100.0%	\$9,273	100.0%	\$22,795	100.0%	\$0	0.0%
Total Fiduciary Fund	\$0	100.0%	\$98,926	100.0%	\$9,273	100.0%	\$22,795	100.0%	\$0	0.0%
Capital Projects										
Interest on Investments	\$0	0%	\$0	0.0%	\$54,240	100.0%	\$31,762	100.0%	\$0	0.0%
Other	\$0	0%	\$702,417	100.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Capital Projects	\$0	0%	\$702,417	100.0%	\$54,240	100.0%	\$31,762	100.0%	\$0	0.0%
Total General Fund	\$18,467,532	76.8%	\$28,327,703	85.2%	\$8,785,201	79.1%	\$19,648,279	91.4%	\$28,066,198	93.8%
Total Special Revenue Fund	\$1,884,577	7.8%	\$1,167,725	3.5%	\$673,060	6.1%	\$533,023	2.5%	\$738,424	2.5%
Total Debt Service Fund	\$3,672,759	15.3%	\$2,965,261	8.9%	\$1,590,546	14.3%	\$1,257,001	5.8%	\$1,121,864	3.7%
Total Fiduciary Fund	\$0	0.0%	\$98,926	0.3%	\$9,273	0.1%	\$22,795	0.1%	\$0	0.0%
Total Capital Projects	\$0	0.0%	\$702,417	2.1%	\$54,240	0.5%	\$31,762	0.1%	\$0	0.0%
Total Revenues (All Funds)	\$24,024,867	100.0%	\$33,262,030	100.0%	\$11,112,320	100.0%	\$21,492,860	100.0%	\$29,926,487	100.0%

Table 2											
Hamilton Township											
Comparison of General Fund Expenditures											
	Hamilton Township		Galloway Township		Somers Point City		Upper Township		Barnegat Township		
Expenditures 98-99											
Regular Program - Inst.	\$5,643,521	31.0%	\$9,417,694	33.5%	\$3,178,939	35.2%	\$5,022,447	25.7%	\$5,767,387	21.4%	
Special Education	\$1,553,161	8.5%	\$2,099,290	7.5%	\$648,382	7.2%	\$713,527	3.6%	\$1,160,558	4.3%	
Basic Skills-Remedial	\$177,023	1.0%	\$450,904	1.6%	\$261,135	2.9%	\$325,763	1.7%	\$237,166	0.9%	
Bilingual Education	\$85,000	0.5%	\$208,143	0.7%	\$9,032	0.1%	\$4,630	0.0%	\$0	0.0%	
Sponsored Cocurricular Activities	\$70,596	0.4%	\$65,652	0.2%	\$18,775	0.2%	\$19,983	0.1%	\$24,210	0.1%	
Sponsored Athletics	\$0	0.0%	\$47,344	0.2%	\$22,012	0.2%	\$29,020	0.1%	\$45,410	0.2%	
Other Instruction Prog.	\$10,299	0.1%	\$36,675	0.1%	\$0	0.0%	\$0	0.0%	\$32,832	0.1%	
Community Services Prog.	\$24,109	0.1%	\$0	0.0%	\$21,766	0.2%	\$0	0.0%	\$0	0.0%	
Total Instructional Cost	\$7,563,708	41.6%	\$12,325,702	43.8%	\$4,160,039	46.0%	\$6,115,369	31.3%	\$7,267,564	27.0%	
Undistributed Exp. - Instruction	\$952,705	5.2%	\$697,453	2.5%	\$424,006	4.7%	\$6,389,568	32.7%	\$9,668,993	35.9%	
General Administration	\$440,507	2.4%	\$1,463,709	5.2%	\$275,240	3.0%	\$357,844	1.8%	\$584,886	2.2%	
School Administration	\$819,336	4.5%	\$1,242,462	4.4%	\$392,026	4.3%	\$435,028	2.2%	\$798,856	3.0%	
Total Administrative Cost	\$1,259,843	6.9%	\$2,706,170	9.6%	\$667,266	7.4%	\$792,872	4.1%	\$1,383,742	5.1%	
Attend.& Soc. Work Serv.	\$15,849	0.1%	\$13,284	0.0%	\$29	0.0%	\$2,536	0.0%	\$18,350	0.1%	
Health Service	\$191,917	1.1%	\$301,062	1.1%	\$101,274	1.1%	\$154,107	0.8%	\$209,667	0.8%	
Other Supp Serv-Related	\$92,711	0.5%	\$177,868	0.6%	\$77,445	0.9%	\$307,333	1.6%	\$155,096	0.6%	
Other Supp Serv-Extraordinary	\$129,114	0.7%	\$0	0.0%	\$14,703	0.2%	\$42,519	0.2%	\$0	0.0%	
Support Services-Regular Students	\$212,355	1.2%	\$486,867	1.7%	\$90,573	1.0%	\$164,238	0.8%	\$166,176	0.6%	
Support Services-Special Services	\$390,169	2.1%	\$595,953	2.1%	\$269,652	3.0%	\$410,285	2.1%	\$546,534	2.0%	
Improvement of Inst. Serv.	\$36,715	0.2%	\$196,449	0.7%	\$86,677	1.0%	\$99,536	0.5%	\$48,099	0.2%	
Media Serv./Sch. Library	\$158,790	0.9%	\$377,395	1.3%	\$212,245	2.3%	\$172,629	0.9%	\$397,113	1.5%	
Instructional Staff Training Sev.	\$15,191	0.1%	\$86,706	0.3%	\$3,207	0.0%	\$19,804	0.1%	\$6,673	0.0%	
Operation and Maint. of Plant	\$1,489,196	8.2%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	
Allowable Maint. of School Fac.	\$482,390	2.6%	\$394,636	1.4%	\$129,408	1.4%	\$170,511	0.9%	\$423,853	1.6%	
Other Operations & Maint of Plant	\$0	0.0%	\$1,504,936	5.4%	\$599,335	6.6%	\$995,740	5.1%	\$1,373,592	5.1%	
Transportation	\$1,623,207	8.9%	\$2,118,807	7.5%	\$190,930	2.1%	\$913,540	4.7%	\$1,241,494	4.6%	
Business & Other Supp.Serv.	\$243,534	1.3%	\$288,852	1.0%	\$189,209	2.1%	\$214,467	1.1%	\$188,269	0.7%	
Food Service	\$0	0.0%	\$0	0.0%	\$10,549	0.1%	\$0	0.0%	\$0	0.0%	
Other Undistributed Expenditures	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	
Total Support Services	\$5,081,139	27.9%	\$6,542,815	23.3%	\$1,975,237	21.8%	\$3,667,245	18.8%	\$4,774,915	17.7%	
TPAF Pension Contributions	\$434,593	2.4%	\$623,588	2.2%	\$238,482	2.6%	\$329,928	1.7%	\$367,346	1.4%	
Reimb. TPAF SS Contrib.	\$655,893	3.6%	\$1,012,152	3.6%	\$366,727	4.1%	\$546,431	2.8%	\$613,642	2.3%	
Benefits	\$1,961,364	10.8%	\$3,113,938	11.1%	\$1,086,851	12.0%	\$1,367,203	7.0%	\$2,169,060	8.1%	
Capital Outlay	\$294,436	1.6%	\$505,597	1.8%	\$123,704	1.4%	\$306,973	1.6%	\$693,932	2.6%	
Special Schools	\$0	0.0%	\$596,202	2.1%	\$0	0.0%	\$34,062	0.2%	\$2,680	0.0%	
Total General Fund Expenditure	\$18,203,682	100.0%	\$28,123,618	100.0%	\$9,042,314	100.0%	\$19,549,651	100.0%	\$26,941,874	100.0%	
Source: School districts' 1998-99 CAFR and N.J. Department of Education Comparative Spending Guide 1999											

Table 3A										
Comparison Ranking by District										
1999 Comparative Spending Guide - Budgeted Amount										
(Total 91 Schools)	<u>Hamilton Township</u>		<u>Galloway Township</u>		<u>Somers Point City</u>		<u>Upper Township</u>		<u>Barnegat Township</u>	
Selected Cost Factors	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>	<u>Amount</u>	<u>Rank</u>
Cost Per Pupil	\$5,951	12	\$5,890	11	\$6,424	24	\$6,304	21	\$4,875	3
Classroom Instruction	\$3,768	13	\$3,732	11	\$3,952	15	\$3,983	17	\$2,892	2
Classroom Salaries & Benefits	\$3,541	10	\$3,545	11	\$3,750	17	\$3,808	20	\$2,616	2
General Supplies & Textbook	\$205	50	\$176	29	\$160	19	\$149	13	\$190	38
Purchased Services & Other	\$22	21	\$11	8	\$42	39	\$25	22	\$86	74
Support Services	\$602	12	\$610	13	\$799	40	\$863	49	\$584	9
Support Serv. Salaries & Benefits	\$531	16	\$516	12	\$743	47	\$764	55	\$500	8
Total Administrative Cost	\$690	9	\$940	46	\$862	30	\$682	7	\$623	3
Salaries & Benefits for Admin.	\$500	4	\$584	12	\$693	34	\$562	9	\$497	3
Operations & Maint.	\$827	59	\$568	6	\$732	35	\$721	34	\$657	23
Sal. & Benefits for Operat./Maint.	\$406	50	\$236	10	\$417	56	\$412	53	\$254	12
Food Service	\$14	26	\$0	0	\$12	23	\$1	1	\$0	0
Extracurricular Cost	\$37	28	\$37	28	\$38	32	\$36	27	\$37	28
Equipment Costs	\$37		\$191		\$16		\$23		\$40	
Personal Service-Employee Benefits	19.9%		21.9%		19.2%		18.6%		20.8%	
Student/Teacher Ratio	14.7:1	35	15.0:1	25	14.9:1	29	15.0:1	25	14.5:1	38
Median Teacher Salary	\$35,681	4	\$36,292	5	\$43,106	33	\$47,255	45	\$41,330	26
Student/Support Service Ratio	113.2:1	26	99.9:1	44	113.3:1	25	91.3:1	54	79.5	75
Median Support Service Salary	\$40,963	15	\$39,231	8	\$48,156	39	\$48,656	43	\$38,750	7
Student/Administrator Ratio	259.2:1	14	223.3:1	25	178.0:1	60	230.6:1	24	213.2:1	32
Median Administrator Salary	\$66,748	4	\$67,640	6	\$68,275	9	\$75,977	30	\$75,056	27
Faculty/Administration Ratio	19.9:1	9	17.7:1	36	13.5:1	66	17.9:1	27	17.4:1	30
97-98 Appropriated Gen. Fund Bal. vs. (Used)/Generated	\$497,603	-\$144,972	\$1,400,000	-\$70,784	\$415,046	-\$316,631	\$800,000	\$208,287	\$46,819	\$424,086
98-99 Gen. Fund Bal. in excess of 6%	\$0		\$1,746,988		\$769,817		\$143,083		\$0	

Table 3B								
Comparison by Year								
Ranked Low Cost to High Cost	1996-97		1997-98			1998-99		
(Total of 91 School Districts)	Actual	Ranking	Actual	% Change	Ranking	Actual	% Change	Ranking
Cost Per Pupil	\$5,563	10	\$5,712	2.7%	11	\$5,951	4.2%	12
Classroom Instruction	\$3,606	9	\$3,653	1.3%	12	\$3,768	3.1%	13
Classroom Salaries & Benefits	\$3,424	9	\$3,426	0.1%	12	\$3,541	3.4%	10
General Supplies & Textbook	\$173	42	\$217	25.4%	63	\$205	-5.5%	50
Purchased Services & Other	\$9	11	\$10	11.1%	15	\$22	120.0%	21
Support Services	\$414	8	\$568	37.2%	13	\$602	6.0%	12
Support Serv. Salaries & Benefits	\$371	12	\$515	38.8%	20	\$531	3.1%	16
Total Administrative Cost	\$661	8	\$622	-5.9%	4	\$690	10.9%	9
Salaries & Benefits for Admin.	\$499	2	\$457	-8.4%	3	\$500	9.4%	4
Operations & Maint.	\$831	61	\$796	-4.2%	57	\$827	3.9%	59
Sal. & Benefits for Operat./Maint.	\$389	53	\$393	1.0%	54	\$406	3.3%	50
Food Service	\$10	20	\$33	230.0%	24	\$14	-57.6%	26
Extracurricular Cost	\$26	19	\$28	7.7%	19	\$37	32.1%	28
Equipment Costs	\$38		\$33	-13.2%		\$37	12.1%	
Median Teacher Salary	\$34,694	5	\$34,682	0.0%	5	\$35,681	2.9%	4
Median Support Service Salary	\$35,762	4	\$38,357	7.2%	10	\$40,963	6.8%	15
Median Administrator Salary	\$60,610	6	\$64,148	5.8%	7	\$66,748	4.1%	4
Ranked High Ratio to Low								
Student/Administrator Ratio	239.6:1	18	252.5:1		12	259.2:1		14
Faculty/Administrator Ratio	17.9:1	22	19.6:1		8	20:1		9

Source: 1999 NJDOE Comparative Spending Guide

Table 4					
Hamilton Township School Data Comparison					
Based on Audit Report and Report Cards					
As of June 30, 1999					
	<u>Hamilton Twp.</u>	<u>Galloway Twp.</u>	<u>Somers Point City</u>	<u>Upper Twp.</u>	<u>Barnegat Twp.</u>
Description					
County	Atlantic	Atlantic	Atlantic	Cape May	Ocean
District Type	II	II	II	II	II
Grades	K-8	K-8	K-8	K-8	K-8
District Factor Group	DE	DE	CD	FG	CD
Certified Employees	213	330	103	152	208
Other Employees	98	128	51	77	80
Total Employees	311	458	154	229	288
Square Miles	113	92.6	4.03	63.9	33
Number of Schools					
Elementary	2	6	1	2	3
Middle	1	1	1	1	1
Alternative Sch.	1				
Total Schools	4	7	2	3	4
Average Daily Enrollment (97-98)	2,604	4,039	1,259	1,819	3,089
Administrative Personnel 1997-98					
Number of Administrators	10	14	6	7	10
Administrator per Students	252.5:1	251.7:1	208.3:1	254.6:1	211.1:1
Administrator/Faculty Ratio	19.6:1	20.0:1	15.3:1	19.1:1	16.6:1
Median Salary 1997-98					
Faculty	\$34,723	\$39,469	\$44,006	\$45,441	\$40,295
Administrators	\$64,148	\$74,676	\$74,814	\$73,629	\$72,885
Median Years of Experience 97-98					
Faculty	9	12	18	15	13
Administrators	19	21	27	25	23
Instructional Time	5hrs., 43min.	5hrs., 46min.	5hrs., 17min.	5hrs., 30min.	5hrs., 42min.
Student Mobility Rate	15.7%	12.0%	13.3%	6.4%	11.0%

ADMINISTRATION

The Hamilton Township School System has the following certificated district-wide administrators:

- one superintendent of schools;
- one business administrator/board secretary;
- one supervisor of special education; and
- one supervisor of curriculum and instruction.

There are six building administrators consisting of one middle school principal, one elementary school principal, one primary school principal, one vice-principal in the middle school and two vice-principals in the elementary school. All district-wide administrators and the three principals report directly to the superintendent.

Reporting to the business administrator/board secretary are the supervisor of accounting services, the supervisor of the cafeteria, the supervisor of transportation and the supervisor of buildings and grounds, along with the business office staff.

The supervisor of special education instruction reports to the supervisor of special education; the technology coordinator reports to the supervisor of curriculum and instruction; and the supervisor of custodians reports to the supervisor of buildings and grounds.

In general, administrative costs for this district are significantly low, especially when compared to similar school districts. According to the NJDOE Comparative Spending Guide (March, 1999), Hamilton Township ranks 9th out of 91 districts (low to high) for total administrative cost per pupil; 4th (low to high) for salaries and benefits for administrators per pupil; and 4th (low to high) for median administrator salary. The district also ranked 9th (high to low) for faculty:administrator ratio.

Reporting relationships are demonstrated on the Appendix A organizational chart.

TECHNOLOGY

Technology spans all organizational areas and provides local governments with numerous opportunities for savings. In school districts, administrators use technology in a dual capacity; to improve organizational productivity and to serve as an instructional tool to prepare students for the future. The team reviewed operational use of technology and found the district to be strong in educational areas with some room for improvement in business applications.

During the review process, the district had reallocated approximately \$172,000 from the current Management Information Systems (MIS) budget to the general budget to cover an expected shortfall in the 2000-01 fiscal budget. In addition, the district replaced local funding of the MIS department for the 2000-01 school year with grant funding. Increasing dependency on grants for funding general operations is often an early warning financial indicator that the district may experience increasing difficulties in the future.

The district needs to develop a long-term plan for funding general operational and capital technology expenditures. This would allow the district to distribute expensive equipment purchases over multiple years, while funding operational and maintenance costs through local funding sources. By reallocating the \$172,000, the district may have run the risk of having a substantial amount of technology become obsolete at the same time, thus increasing the

likelihood of future major purchases within a single school year. For the district, this issue would be further exacerbated by the new addition to Shaner, which has resulted in the reallocation of additional MIS funds designated to replace older equipment.

Staffing

At the time of the review, the district employed a technology coordinator and one full-time technician to handle the planning, purchasing, installation and maintenance of technology initiatives and equipment. The technology coordinator's responsibilities include supervision of the network operations, technology inventory, technical grant writing, technology purchasing, in-service training for technology, and maintenance of a mid-range computer in the business office. The technician provides support functions for the technology coordinator, e.g., hardware and software installation, troubleshooting and resolution. The department also coordinates all technology supply purchases and distribution for the entire district. The school board has the MIS department under the direction of the curriculum supervisor who also writes the technology grants.

The district is to be commended for placing all technology-related supply purchasing under the MIS department. By coordinating supply purchasing, the MIS department prevents the stockpiling of supplies, which, given the volatility of prices and time limitations of certain items, reduces waste.

LGBR has established a staffing ratio of 100-125 computers for every MIS staff member. This ratio includes span of control issues for supervisory and line personnel. For example, a district with 1,000 computers would employ approximately eight staff members including the director and technicians. Hamilton has approximately 421 computers. Based on the LGBR ratio, the district should have an MIS staff of 3.5 to 4.0 full-time employees. This does not factor in the planned 2000-01 purchase of an additional 30 computers. Additional factors that impact the ratio include the number and type of networks, technology initiatives, age of computers and daily usage. Had the district maintained an electronic data base of work order requests, the team may have felt more comfortable in recommending additional staff (see Work Order System section of report).

Recommendation:

Based on the LGBR staffing ratio, it appears the district may be understaffed. However, the district does not maintain an adequate work order database that would support additional staff. It is, therefore, recommended that an in-depth review of the MIS operations be conducted to determine whether the district needs additional staffing as the LGBR ratio formula suggests.

Infrastructure

At the time of this review, the district had 418 computers, six file servers, a mid-range computer and numerous pieces of support equipment, e.g., printers, routers and controllers. Each facility

had at least one local area network connected to create a district-wide area network. The business office utilizes the mid-range computer for the finance package. The district also has voice mail.

The county library provides free Internet access to the Hamilton School District. The Internet feeds into the county library and then is framed down to the Hess School. From the Hess School, the technology department frame relays the service to the remaining schools. The LGBR team identified two issues related to this arrangement:

1. By using the Hess School as a distribution center for the remaining schools, the network performance at Hess degrades, as bi-directional Internet traffic must pass through a single line at the Hess School, thereby reducing access speed.
2. Upon the LGBR arrival in January, 2000, the team found the district's financial system linked into the wide area network. This allows administrators in remote schools access to financial information and purchase order processing. In this situation, the team checks for security protocols, e.g., a firewall, that protects internal systems from non-authorized users. The district did not have a firewall/security system in place at that time.

The technology coordinator was aware of both issues and had proposed alternative solutions to resolving the problems. The district tentatively budgeted funds to address the Internet performance issue during the 2000-01 school year. The security issue was a more sophisticated issue involving the county library, the Internet Provider to the library and the hardware in both the library and school district. Essentially, during the construction of the transmission path (backbone) to support the Internet, the library had designed a backbone to also handle emerging technologies capable of handling bi-directional video transmissions. This design prevented the district from installing a firewall.

In order to prevent external access to the business computer, the technology coordinator removed the mid-range system from the network. The coordinator, working with the library and the Internet provider, developed a security plan that involved using an additional router and a server. The team commends the technology coordinator for rigorously addressing these issues.

Technology Committee

The district has developed a unique structure of technology committees. Originally there was a top down decision-making committee; however, it was reported to the team that this structure was inefficient as conflicting opinions often inhibited the decision process, stifling technology development in the district. As a result, the district established a technology committee in each school. Two members from each school level committee are combined with senior management to create a district committee.

This change in structure resulted in reversing the management style to a bottom up approach, permitting the uniqueness of each school to influence the direction of technology within the

particular building and grade level. Each school now develops its own technology plan and the parent committee approves and merges the plans into a master plan. It appears, from interviews, that this structure has empowered employees with participation in district technology initiatives.

During the interview process, the LGBR team found what appears to be an element of “micro-managing” by senior management. Several interviewees reported that the technology department’s recommendations are often challenged or ignored based on alternative recommendations of individuals who do not possess the needed formal training in technology. This exposes the district to some degree of risk and conceivably undermines expertise of both the technology committees and technology department staff. School districts become at risk when individuals skilled in education have disproportionate influence in the decision-making process regarding MIS operations. Conversely, the same applies to computer skilled coordinators who have become too influential in educational operations. For example, a technology expert should not decide on an educational software package purchase; and an educational expert should not determine the personnel allotment required for a technology project. The solution to this issue is the technology committee. Technology committees allow the technological and educational expertise to work together in decision-making.

Purchasing

Technology purchases represent a major expenditure. As a result, the team often recommends purchasing technology under bidding guidelines or, if eligible, the quoting methods. Both of these methods are less expensive than state contract purchasing. A review of the district purchases found that all technology purchases are made under state contract. Furthermore, when emergency repairs are needed, the technology department must follow standard purchase order procedures. This has often resulted in a four to six week delay in equipment repairs.

In a recent comparison of state contract purchasing of a major computer brand versus bidding, a nearby local government entity saved approximately \$100 per unit through the bid process. Furthermore, closer examination of the specifications found that the bid computers contained superior parts, thus adding additional value to the computers; and this included a three-year on-site warranty.

Purchasing technology equipment though the bid process requires expertise by the technology coordinator. Based on the team’s interviews, the team feels that the technology coordinator has the expertise and knowledge to develop bid specifications which would allow the district to save money.

Recommendation:

The district originally expected to purchase 50 computers for the 2000-01 school year. If the district were to bid the purchase, they would save approximately \$5,000 or could purchase an additional four computers. Due to budgetary constraints, the district cut the

purchase to 14 computers. Based on the planed purchase of 14 computers, the district could save approximately \$1,500 by purchasing their computers via the bid process. It is, therefore, recommended that the district purchase all computer technology via the bid or quote process for savings of \$1,500.

Cost Savings: \$1,500

It is inefficient for a computer repair job to take four to six weeks due to purchasing procedures, when combined usage of a petty cash-checking account and parts inventory could reduce down time to one day. Ideally, the district should have a limited number of hard drives, memory chips, video cards and other components. When the department replaces a part, the part can be replaced immediately from the department's checking account. The business office could then replenish the checking account from the department's parts budget line. Creating and maintaining an inventory is predicated on the district establishing tight inventory control procedures. If the district opts not to utilize a petty cash system, then the department will need to increase the size of its inventory. Given the volatile cost of parts, the team has generally been reluctant to recommend stockpiling of parts.

Recommendation:

Non-functioning computers disrupt the work and educational processes in the district. Districts commonly reduce down time by providing the MIS department with necessary tools to expedite repairs. It is, therefore, recommended that the district establish a parts inventory and petty cash account for the MIS department.

Work Order System

A work order system provides management with a critical tool for measuring department efficiency, determining staffing ratios, planning, and trouble shooting. The district currently maintains a manual "paper" work order system; however, it performs as a documentary function as opposed to a true work order program that permits cost center analysis. For example, a district using a work order system may easily identify a defective computer and assist the district in determining that a group of defective computers may be the result of a power-conditioning problem. During the review process, the team provided a work order system to the MIS department.

Recommendation:

Work order systems provide critical information to management. It is, therefore, recommended that the district implement a work order system to track repair costs.

Automation in the Business Office

Office automation provides enormous opportunity for efficiencies in the business environment. The district's business office has experienced improved efficiency from the current business office package; however, as the district business computer has warranty issues, it may be more prudent to evaluate other business operations software packages.

The following is a list of some of the issues raised:

- The manufacture of the operating system for the AS400 computer no longer supports the district's operating system.
- The current business/personnel software package does not adequately track overtime expenses. Detailed information must be manually tabulated from payroll records.
- The personnel package does not integrate with the business package.
- Purchase orders are a paper process even though the business software package has a purchase order module with electronic signature control.
- Employee time tracking in the schools is a manual process.

Software selection involves performing a needs assessment survey of the organization in its entirety and selecting initiatives that have the greatest flexibility in data migration and interaction with other systems.

Photocopy Machines and Printers

Schools utilize duplication machines during the normal course of operations, often in excess of a million copies per year. It can be a major expense depending on usage. The team found that the district currently operates nine copiers under a five-year lease agreement. The agreement calls for monthly payments totaling \$4,563 and a per copy charge for each copy ranging from .0068 cents to .0144 cents, depending on the machine.

The team analyzed the cost of the lease purchase contracts using the lease agreement and the average monthly usage since the original purchase date of December, 1996. The following table outlines the cost:

Location	Monthly Lease Payment	Average Number of Copies Per Month	Average Cost Per Copy Charge Per Month	Total Cost Per Month
Hess	\$435	15,074	\$217	\$652
Hess	\$435	15,236	\$219	\$654
Hess	\$435	18,284	\$263	\$698
Hess	\$597	84,754	\$576	\$1,173
Hess	\$597	82,291	\$560	\$1,157
Shaner	\$435	27,228	\$392	\$827
Shaner	\$597	64,639	\$440	\$1,037
Davies	\$435	24,687	\$355	\$790
Davies	\$597	84,754	\$507	\$1,104
Monthly Cost			\$8,092	
Annual Cost			\$97,104	
Estimated Five-year Cost			\$485,520	

The team's analysis found that the district had committed spending approximately \$485,520 over the life of the contracts or \$97,104 per year. When compared to the original cost projection from

1996, the team found that the district had estimated a monthly cost of \$6,334 or \$76,008 annually.

Under the state contract cost-per-copy plan, districts purchase copies based on monthly consumption estimates. Cost-per-copy contracts are generally cheaper than the standard lease purchase agreements and include all maintenance and supplies, except for paper and staples. Contract terms are for three years. Users guarantee vendors a minimum amount of copies per month called bandwidth and pay a per copy charge for excess. Districts also upgrade to the latest technology every three years.

Had the district selected a cost-per-copy contract, copiers for the five-year period would have cost \$337,975, a savings of \$147,565 or \$29,513 per year. Furthermore, the team feels that the district could achieve additional annual savings of \$14,382 by replacing each of the high volume copiers in Hess and Davies with two copiers of a lesser bandwidth. This would allow the district to strategically place multiple copiers within each school. Utilizing the cost-per-copy contract with this option would increase annual savings to \$43,895 annually.

Recommendation:

It is recommended that, upon completion of existing lease purchase arrangements, the district procure new copiers utilizing the New Jersey State contract for cost-per-copy equipment.

Cost Savings: \$43,895 per year

Finally, some bandwidths include digital and duplex copiers that connect into the network allowing direct printing from a computer. Duplex copiers allow front and rear printing without human intervention. A combination of both digital and duplex copiers and printers may reduce paper consumption by up to 35%. Based on the 1999-00 paper estimated purchase of \$27,052, the team feels that the district may reduce its paper purchase and save \$9,000. Adoption of duplex and digital technology may require board support.

Recommendation:

Use of digital and duplex photocopiers and printers save districts by reducing paper purchases. It is also an environmentally friendly policy. It is, therefore, recommended that the district explore the gradual implementation of digital and duplex equipment for annual savings of \$9,000.

Cost Savings: \$9,000

In order to perform the photocopy analysis, the team requested the lease agreement and documentation showing monthly meter readings from the business office. The business office was unable to provide any of the documentation. Upon further review, the team found that meter

cards were sent directly to each school and were returned directly to the vendor. Each month, the business office received a summary bill for the entire district. The copier vendor also provided the district with copies of the lease agreements for our use.

Recommendation:

In order to monitor copy usage and assess budgetary impact, the business office should maintain records for each copier. It is, therefore, recommended that the business office contact the vendor and request that all meter readings be directed to the business office. The office could then have each school submit the meter reading to the business office via the district Email system. This would allow the business office to closely monitor copier usage and expenses.

Communications

According to district's phone bills, employees made 129,816 local/toll and 18,755 long distance calls during the 1998-99 school year. The bill for local/toll calls was \$64,867 while long distance charges totaled \$6,277. In addition, school employees utilized extra phone services, e.g., 2,270 local and long distance directory assistance calls including 95 calls that were automatically connected for an additional charge. The charges for these services totaled \$1,000.

Recommendation:

The use of optional services from the phone company are excessive, especially when the local phone company provides telephone books and many national numbers can be retrieved from the Internet. It is, therefore, recommended that the school system have the phone carriers disable optional services for savings of \$1,000.

Cost Savings: \$1,000

In August, 1999, the district issued cellular phones to 12 individuals at an estimated annual cost of \$9,375. This included monthly plans and cost of equipment. The phones were distributed among the maintenance, custodial and computer departments. An analysis of the bills found that the cellular phones cost the district approximately \$908 a month or \$10,896 annually. Alternative methods of communication include pagers at a cost of \$1,440 or commercial two-way communication devices that have a one-time cost of up to \$6,000, depending on the number or type of equipment purchased. The actual investment may be less, given the close proximity of schools.

Recommendations:

Option 1

Cellular phones represent an unnecessary expense to taxpayers when alternative methods of communication are available. The use of pagers and commercial two-way communication devices offer less expensive alternatives for the district. It is, therefore, recommended the district terminate cellular service for an annual savings of \$10,000, after a one-time cost of between \$1,440 and \$6,000, depending on the selection.

One-time Value Added Expense: \$1,440 - \$6,000
Cost Savings: \$10,000

Option 2

Cellular phones are eligible for the federal Universal Service Fund discounts at the district discount rate of 50%. It is, therefore, recommended the district apply for the Universal Discount service rate for savings of \$5,000. The district should also retroactively apply for reimbursement for the prior two years for a one-time revenue enhancement of \$10,000.

Cost Savings \$5,000
Potential One-time Revenue Enhancement: \$10,000

INSTRUCTION

Special Education

The Hamilton Township School District has a full complement of services for Special Education (SE) students, including resource rooms, self-contained classes and various supplemental instruction programs.

Staffing

The supervisor of special education, along with the supervisor of special education instruction, oversees the district's special education program, including the Child Study Team (CST) services. During the 1998-99 school year, the SE staffing consisted of three psychologists, three learning disability teacher consultants and two social workers (which made up three district CST's), four speech/language correction specialists, 34 SE teachers and 21 SE aides. Prior to the 1999-00 school year, the district hired an additional full-time social worker to augment the CST staff. The only significant staffing adjustment being considered for the district's 2000-01 budget is making two part-time learning disability teachers full-time employees.

The district utilizes the services of many outside professionals for student evaluations. Additional services include those of two occupational therapists, two neurologists, seven psychiatrists and one neuropsychiatric evaluator.

Special Education Enrollment

According to the 1998-99 ASSA Report, the Hamilton Township School District provided services for 400 classified students. Students totaling 363 were educated within the district; 156 in self-contained classes and the remaining 207 in resource/supplemental programs. A total of 37 SE students were sent out-of-district to other public or private educational centers. A three-year distribution of Hamilton's SE students follows:

	1999-00	1998-99	1997-98
SE Students In-District Full-time	369	360	340
SE Students Received from Other Districts Full-time	--	--	--
SE Students Receiving Home Instruction	4	3	2
Total In District SE Students	373	363	342
SE Students Sent to Another Public School Full-time	1	2	2
SE Students Sent to a Private School Full-time	9	10	4
SE Students Sent to a Regional Day School Full-time	2	6	8
SE Students Sent to a Cty. Special Svcs. School District Full-time	17	19	17
Total Out-of-District Special Education	29	37	31
Total Special Education Students	402	400	373
Total Enrollment	2,661	2,631	2,559
% of Special Education to Total Enrollment	15.1%	15.2%	14.5%
Total Students in SE Self-Contained Classes	163	156	144
Number of Self-Contained Classes	21	17	17

Over the past three fiscal periods 1998-2000, the percentage of classified students in the Hamilton School District has averaged 15.0% (excluding speech). The district's enrollment has stayed relatively consistent over this time period, increasing annually between 2.8% and 1.1%. Overall, in the State of New Jersey, classified students comprised 12.2% (excluding speech) of the total enrollment of all public schools in the state (13.3% in Atlantic County).

Special education students are sent out-of-district usually due to the extent or nature of the disability and/or the limitation of space within the district schools. The following table illustrates average out-of-district cost for the SE students of the Hamilton School District for school year 1998-99:

**1998-99 Tuition and Transportation Costs
Out-of-District Special Education Students**

School Type	Number of Students	Estimated Average Tuition Per Pupil	Estimated Average Trans. Cost Per Pupil	Estimated Average Total Cost Per Pupil
Private	10	\$26,020	\$4,807	\$30,827
Public	2	\$18,355	\$7,200	\$25,555
Atlantic County Special Services	17	\$18,644	\$5,409	\$24,053
Cape May County Special Services	2	\$30,201	\$7,200	\$37,401
Regional Day	6	\$21,254	\$4,621	\$25,875

NOTE: The data source is the district's information for the school year ending June 30, 1999.

Based on this data provided by the school district, the average cost-per-pupil for out-of-district SE students is conservatively estimated at \$26,900, more specifically, \$25,500 for public school placements and \$30,800 for private school placements. The district's total cost-per-pupil (pre-K through 12) as of June, 1998 was \$6,933. It should be noted that costs of special education programs are usually higher than non-special education programs. These increased costs result from lower student/teacher ratios, the use of aides in the classroom, more sensitive and individually tailored curriculum, student Individualized Education Plan (IEP) requirements and specialized staff requirements.

Efforts are being made at this time to provide as much in-district placement of SE students in conformance with their IEP's as is deemed feasible and cost-effective. Special education students are not sent out-of-district unless the district is unable to provide an appropriate level of education. Yearly assessments are made of the special education population and its needs.

At the current time, the district does not receive any special education students from other districts. As of January, 2000, the district is advising other neighboring school districts of the current available space within its special education classes and offering them the option of sending their SE students to Hamilton as an alternative to the county special service or private schools. According to the district's special education personnel, the district will continue to expand its "enterprise policy" of seeking out-of-district students after the in-house needs of the district's special education department are satisfied.

Elementary Schools Special Education Program

As of February, 2000 the Hamilton School District maintains 20 self-contained special education classes distributed among the three elementary schools providing instruction for 165 in-district SE students. This includes three preschool handicapped classes (24 students.) There are 17 teachers and 23.5 aides assigned to these classes and two teachers and 1.5 aides assigned to two a.m. and one p.m. class for the preschool handicapped program.

In an effort to identify ways to control district cost for self-contained SE classes, the review team sought to determine whether SE classes are at full occupancy. There are several special education classes not filled to state allowable capacities. This is illustrated in the following table:

Name of School	Class Type	Allowable Size	Students Enrolled	Aides In Class	Aide Required	Available Space
Shaner	Preschool	8	8	1	Yes	0
Shaner	Preschool	8	8	1	Yes	0
Shaner	Preschool	8	8	1	Yes	0
Shaner	Autism	6	6	4	Yes	0
Shaner	MD	8	7	1	No	1
Shaner	MD	12	11	2	Yes	1
Shaner	MD	8	8	2	Yes	0
Hess	MD	12	10	1	Yes	2
Hess	MD	8	5	1	No	3
Hess	MD	8	8	1	No	0
Hess	MD	8	8	1	No	0
Hess	MD	12	11	1	Yes	1
Hess	MD	8	6	2.5	Yes	2
Hess	MD	12	10	1	Yes	2
Hess	MD	8	8	1	No	0
Hess	LLD	16	12	1	Yes	4
Davies	MD	8	8	1	No	0
Davies	MD	8	6	1	No	2
Davies	LLD	12	8	1	Yes	4
Davies	LLD	16	9	1	Yes	7
Davies (off campus)	BD	12	8	1	Yes	4

MD – Multiple Disabilities

LLD – Learning and/or Language Disabilities

BD – Behavioral Disabilities

The review team calculates that 33 additional students could be educated within the district without hiring any more teachers or aides.

The review team recognizes that differences in age grouping or other circumstances may preclude the district from filling every SE classroom to allowable capacity or that special situations may exist as a result of analysis by the CST. The team also realizes that “allowable capacity” means “maximum” number of students, not “recommended” number of students. However, it is imperative that the district continue to scrutinize this matter each year and to be certain that resources within the district are utilized to the fullest.

Within the State of New Jersey, the average rate of special education classification to enrollment is 12.1% (1997-98 school year). As of October 15, 1998, according to the ASSA Report, the Hamilton School District’s classification rate was 15.2%, up from the 11.3% that was reported on the October 15, 1995 ASSA Report. This 4% increase in the district’s SE classification rate can be attributed to the following:

- population movement from the nearby urban areas of Atlantic City and Pleasantville;
- increasing sophistication and sensitivity of the parents regarding the classification procedure, especially for children in the 3 – 5 age group; and
- increasing frequency of foster home placements by the Division of Youth and Family Services (DYFS).

The CAFR provides significant information about special education expenditures from the 1996-97 to 1998-99 fiscal periods as illustrated through the following findings:

- The in-district special education expenses increased 16.4% during that time period while the tuition expenses for the SE students that were sent out-of-district increased by 242%.
- Transportation expenses for the district's special education students increased 43% during that time period.

NOTE: These substantial increases in special education costs are in direct proportion to the increase in student enrollment and the corresponding increase in the number of special education students during that time period.

The following SE Department Expense Analysis from the CAFR provides detailed information about the district's SE expenditures from the 1997-1999 fiscal periods:

	1998-99	1997-98	1996-97
Expenditures (Salaries, Supplies, Etc.)			
Neurologically Impaired	\$48,740	\$40,831	
Perceptually Impaired	\$319,200	N/A	
Multiple Handicapped	\$314,456	\$551,040	\$585,526
Resource Room	\$771,061	\$738,665	\$648,425
Autistic	\$64,428	N/A	
Preschool Handicapped – Part-time	\$35,277	\$62,069	\$42,971
Home Instruction		\$21,841	\$9,476
Speech Instruction/Extraordinary Services			\$79,381
Extraordinary Services	\$212,355	\$110,956	\$73,094
Total Special Education	\$1,765,517	\$1,525,402	\$1,438,873
Tuition Expenses			
Other LEA In-State Special	\$17,382	\$21,961	\$48,412
Other LEA In-State Regular	N/A	N/A	
CSSD & Regional Day	\$552,705	\$595,466	\$163,934
Private Schools for Handicapped	\$289,010	\$162,503	\$63,229
Other	\$65,911	\$43,555	\$2,670
State Facilities	\$27,697	\$23,109	
Total Tuition	\$952,705	\$846,594	\$278,245
Child Study Team	\$390,169	\$363,971	\$413,581
Transportation Expenses for SE			
Joint Agreements	\$328,347	\$281,945	\$228,880
Preschool Handicapped		\$1,679	
Speech Instruction			\$6,006
Support Services – SE	\$5,604		
	\$3,442,342	\$3,019,591	\$2,365,586

Recommendations:

The review team recommends that the district continue to closely review staffing and class sizes in its special education programs. Student needs as determined by the IEP should remain the controlling factor.

At the time of the report the review team found that seven SE teacher aides were not required, based on class size, for the district's 20 elementary self-contained SE classes. The review team realizes that the district's self-contained classes are designed for the benefit of the students' special needs and the instructional efficiency of the staff. However, if the district were not to fill four aide positions, the savings would be approximately \$52,000 in salary costs plus an estimated \$13,500 in employee benefits.

Cost Savings: \$65,500

The district should continue to return out-of-district students to in-district classes whenever appropriate programs and services can be delivered, while leaving some space to address potential growth during the course of the school year. If 10 out-of-district SE students could be returned to in-district SE classes, savings for the district would be the difference between the cost per out-of-district SE pupil (\$26,900) and regular budgeted cost-per-pupil (\$7,706) x 10.

Cost Savings: \$191,940

Since the district's 20 self-contained classes are shown to have empty spaces, the district should continue inviting other districts to send, on a tuition basis, students with the same age ranges and special education needs/classifications as those in Hamilton SE classes. The review team is aware of the district's rapidly expanding enrollment and limited potential for classroom expansion, so this recommendation should be considered only after the in-house needs of the district are satisfied.

Special Education Medicaid Initiative (SEMI)

SEMI Payments to the Hamilton Township School District

FY 1996	FY 1997	FY 1998	FY 1999	FY 2000*	TOTAL
\$1,308	\$7,447	\$23,196	\$32,177	\$17,137	\$81,266

*As of 1/2000

The SEMI program provides an opportunity for school districts to claim available federal funds and to increase their revenues by claiming Medicaid reimbursement for services being provided to eligible special education students. The districts may claim reimbursement for evaluations, speech, occupational therapy, physical therapy, psychological counseling and individual health services. The total reimbursements received by the Hamilton School District have amounted to over \$81,000 in additional revenues.

The district has shown a steady increase in the number of claims being processed. The district is advised to continue its effort to determine eligibility for new special education students and to ensure that all evaluations and related services continue to be claimed.

Basic Skills Instruction Program (BSIP)

The Hamilton Township School System offers a Basic Skills Instruction Program to students in grades K through 8 in the subjects of reading, language and mathematics. There are currently 597 students receiving basic skills instruction, including six students also enrolled in the district's English as a Second Language (ESL) Program.

The district uses multiple measures to identify students for the BSI program, e.g., quarterly progress reports, teacher observations, student report cards, the California Achievement Tests-version 5 (CAT/5) and the Early Warning Test (EWT).

The district's BSI program is configured as follows:

Kindergarten and Grade 1

Kindergarten students are provided with readiness skills in a “pull-out” class of five students several times per week for 30 minutes each class. Students in grade 1 receive reading instruction in small group settings 30 to 40 minutes daily provided by three full-time teachers. Math classes are held as needed and are taught in 40 minutes sessions.

Reading and Language: Grades 2 to 6

There are two classes for students in grade 2 identified as “at-risk” of failure in reading that meet for 90 minutes daily. In addition, each of the second grade classes is provided with in-class support for 45 minutes by a basic skills teacher. Third grade students receive in-class support by one regular and one basic skills teacher for 90 minutes daily.

Students in grades 4 through 6 receive in-class support for reading instruction for four to six classes per grade level, depending on the needs of the students.

Reading and Language: Grades 7 to 8

Classes are scheduled on a regular basis for students in 7th and 8th grades for 45 minutes each day. Students are grouped separately for reading and for language instruction.

Based on their individual needs, students are grouped for instruction in social studies and science.

Mathematics: Grades 2 to 8

Students in grades 2 through 6 receive instruction in math for one hour per day in small group “pull-out” settings. Seventh and eighth grade students receive math instruction 45 minutes per day in regularly scheduled classes. Additional instruction is provided through after-school programs for math, reading, homework help, and individual support. These are extended day activities for students who are experiencing difficulty in subject areas. There are currently 16 basic skills teachers in the elementary schools and six in the middle school, and there are no BSIP aides.

According to district records, there has been a significant increase in the number of basic skills needs assessments over the past four years. This increase is partially attributable to the rising residential growth that the township has experienced and compounded by the rate of transience. From 1997 to the present, the district’s BSIP enrollment increased from 517 students to 597. The number of classes also increased from 120 to 132 during that time frame.

The BSI program is funded through regular budget and Federal Title I Funds. For the school year ending June, 1999, the BSI program cost \$420,625. Of this amount, \$177,023 came from the district while the balance, \$243,602, consisted of Title I funds. The cost per BSIP student was approximately \$705. This represents a \$527, or 43%, decrease in the BSIP student cost for the school year ending June, 1997.

Although the district’s BSIP enrollment is steadily increasing, the district has been able to reduce the local share of its cost per student as a result of efforts made by the administration to seek additional federal funding.

English as a Second Language (ESL)

Hamilton Township has a “pull-out” ESL program for students identified as bilingual or non-English speaking. Each student receives between 30 to 60 minutes of ESL instruction each day. There are 78 students enrolled for 1999-00 school year.

The district obtained a waiver from the NJ Department of Education to conduct small daily classes for each grade level. State mandates generally require a district to form a class for each 20 students that speak the same foreign language.

At the time of the review, most of the ESL students spoke Spanish, Chinese and a number of other oriental dialects. The district employs two full-time ESL instructors with no instructional aides. One of the ESL teachers travels to district schools on a rotating basis. The teachers use computer-related programs to teach the ESL students.

The district uses the Maculaitis Test and national standards developed by the Teachers of English to Speakers of Other Languages (TESOL) to identify students for the ESL program. The TESOL standards organize all ESL students into three categories:

1. Beginner - Students have limited or no understanding of English and rarely use English to communicate.
2. Intermediate - Students understand more complex speech but still may require some repetition.
3. Advanced - Students' language skills are adequate for most day-to-day communication needs.

It was noted that most ESL students remain in the program for about two years. There are some cases where students require additional time in the program.

The cost of the program increased by approximately \$40,000 during the past year due to the hiring of an additional ESL teacher. Aside from this expense, the district has managed to keep the cost of its ESL program minimal over the past three years.

Guidance

Guidance counselors in the Hamilton Township School District spend the majority of their time in crisis counseling with students. Students are generally referred by a teacher as a result of academic, social, behavioral or attendance problems. Depending on the severity of the problem, the counseling process could involve consultations with the principal, school nurse, curriculum coordinator, child study team, and/or the parents. In addition to counseling, guidance services include many other functions such as the administration of standardized tests and the evaluation

and recording of the results, class scheduling, including advanced classes and gifted & talented, interim progress reports and report cards, providing career information, and selecting students for honor roll, perfect attendance, and peer mediation.

There were two guidance counselors at the Davies School serving a population that was 535 students in 1998-99. Department of Education staffing level guidelines allow for two guidance counselors in a 675-student middle school or a ratio of 337:1. There is also one full-time clerical person assigned to the guidance staff at Davies. The Hess School has two guidance counselors serving a population that was 1,735 students in 1998-99. Department of Education staffing level guidelines allow for one guidance counselor for every 500 students at the elementary level. The Shaner School, which had a population of 322 students in 1998-99, is served by one of the counselors from Hess who spends one day per week at Shaner.

Costs associated with guidance service are listed in the Comprehensive Annual Financial Report under Other Support Services – Students – Regular. These costs increased 35% over the last two years as a result of hiring one additional full-time guidance counselor at the Hess School in 1997-98. In addition, it should be noted that salaries for guidance counselors in 1997-98 were paid from state DEPA special revenues.

Hamilton Township School District				
General Fund Expenditures				
Guidance Services	1996-97	1997-98	1998-99	% Inc.
Salaries of Other Professional Staff	\$156,200	\$199,070	\$209,056	33.84%
Supplies and Materials	\$1,214	\$1,324	\$3,299	171.75%
Total	\$157,414	\$200,394	\$212,355	34.90%
Source: Comprehensive Annual Financial Reports				

Health Services

The district maintains detailed written policies and procedures for identifying, assessing, and treating common ailments and injuries, for administering prescription medications to students and for the education and prevention of substance abuse. The nurses meet for an annual workshop to coordinate activities and update procedures. The duties and responsibilities of the nurses are very similar for each school. The majority of the nurses' time is spent administering prescription medication and first aid to students as required. The bulk of their remaining time is spent on screenings for hearing, vision, blood pressure, scoliosis, and heights & weights, child study team referrals, and the administration of a tuberculin testing program for all new students and personnel from outside the state. In addition, the nurses have clerical responsibilities for maintaining immunization records and a student health card for each child. Although much of this data is processed electronically, regulations require that the student health card be maintained in hard copy so it may follow students transferred out of the district.

Each of the Hamilton Township School District's three schools has a nurse's station. The Davies School has one full-time nurse to attend to 535 students. She services approximately 600-700 students per month. The Hess School has one part-time and two full-time nurses to attend to 1,735 students. That staff services approximately 2,500 – 3,000 students per month. The Shaner

School has one full-time nurse to attend to 322 students. She services approximately 700 students per month. These staffing levels are well within the standards set by the NJ Department of Education's Comprehensive Plan for Educational Improvement and Financing. The plan allows for one nurse in an elementary school of up to 500 students, as is the case in the Shaner School, and one nurse in a middle school of up to 675 students as is the case in Davies School. Following the elementary school plan, which allows for one nurse in a school of 500 students, the Hess School could allow for three nurses. The district has been encountering difficulty in finding substitute nurses, so the additional staffing at the Hess School allows for some flexibility.

In addition to school nurses, each school district must contract with a licensed physician who acts as the school medical inspector. The Hamilton Township School District contracted with such a physician at a cost of \$15,500 for 1998-99. A detailed contract of the services provided is on file in the business office. In addition to his general oversight of policy and procedures, the school physician performs physical examinations on all Kindergarten, 3rd grade, and 6th grade students. His service also includes physical examinations for the sports teams, Special Olympics, and child study team referrals. It was estimated that approximately 870 students would be seen annually under this contract.

Total health service costs have risen over 13% in the last two years. This rise is mainly a result of normal salary increments. There have been no staff increases to the health services staff in the last two years. There has also been a small increase in the cost for the medical inspector. Although the cost is not excessive, it should be noted that of 12 quote forms sent to area doctors, only one responded with a quote.

A summary of the health service costs for the district is shown in the table below:

Hamilton Township School District				
General Fund Expenditures				
Health Services	1996-97	1997-98	1998-99	% Inc.
Salaries	\$151,312	\$161,256	\$171,906	13.61%
Purchased Educational Services	\$463	\$412	\$0	-100.00%
Purchased Professional and Technical Services	\$13,909	\$14,580	\$17,415	25.21%
Supplies and Materials	\$2,913	\$3,444	\$2,514	-13.70%
Other Objects	\$449	\$40	\$82	-81.74%
Total - Health Services	\$169,046	\$179,732	\$191,917	13.53%
Source: Comprehensive Annual Financial Reports				

Library and Media Services

Library instruction is worked into the curriculum of all grades to varying degrees in the Hamilton Township School District. Kindergarten students attend regular classes with the librarian 30 minutes per week for one semester, while first grade students attend 40-minute classes weekly for the entire year. Kindergarten curriculum promotes general interest in the library itself. It consists primarily of learning to locate books and reading age-appropriate books aloud. Grade 1 curriculum reinforces book selection and circulation procedures and focuses on the different literary genres found in the library. Grades 2 through 6 attend 50-minute weekly classes with the

librarian. Grade 2 introduces the difference between fiction and non-fiction, while grades 3 to 6 introduce card catalog and encyclopedia skills, the use of periodicals and reference materials, and other basic library research skills. At the middle school level, grades 7 and 8, the students no longer receive regular instruction from the librarian. They do, however, use the library under the supervision of their regular teachers to do research. An accelerated reader program allows students to read and report on books in the library for extra credit.

All of the district's libraries are automated. Although the Shaner School library selection is automated, there is only one computer, which is used exclusively by the librarian. At the Hess and Davies libraries, the book selections are catalogued and may be accessed by students through computers. Hess School currently has four computers with Internet access and is expecting eight more computers within the next month. They also have software on CD-ROM which students can use. The Davies School has 23 computers with Internet access and subscribes to several on-line reference services.

Each of the district's three school buildings contains a library. The Davies Middle School library, serving approximately 535 students during 1998-99, has one full-time librarian who is an educational media specialist. There is no additional staff support other than student aides who are available during their study halls. The library is open most of the day and for one hour after school two days per week. It is well lit with adequate seating and workspace, but some concern was expressed regarding diminishing shelf space.

The Hess School library serves a kindergarten and 2nd - 6th grade population that numbered approximately 1,735 students during 1998-99. The staff is comprised of three full-time educational media specialists, one full-time library aide and one part-time library aide. This library is also well lit and spacious and adequately serves the needs of the students.

The Shaner School library serves a first grade population that numbered approximately 322 students during 1998-99. One part-time librarian staffs this library. The Shaner School library was recently divided in half to make space for an additional classroom. The librarian believes this lack of space does not severely impede her ability to instruct her students. A new addition to the school in the coming year will allow for the recapture of that space, but the increase in the student population due to the reconfiguration of the school to kindergarten and first grades will probably result in the need for additional staff.

The current staffing levels for all the libraries are within the guidelines described in the NJ Department of Education's Comprehensive Plan for Educational Improvement and Financing. The plan addresses the components necessary to provide a thorough and efficient education using the examples of a 500-student elementary school, a 675-student middle school, and a 900-student high school. Conformance with this plan would allow for one full-time librarian at the Shaner School, and two full-time librarians at the Davies School. Applying the elementary ratio to the Hess School would allow for three librarians. That same ratio would allow for a total of 10 support aides for the entire school, and the plan leaves the allocation of those aides to the discretion of the district.

The salaries of the librarians at the Hess and Shaner Schools are paid out of regular program instruction. When included with the expenditures from the Comprehensive Annual Financial Reports as shown in the table below, total library expenditures have increased 24% in the last two years. This is due primarily to regular salary increments, and a one-year increase in Purchased Professional/Technical Services to \$7,527, and Other Purchased Services to \$27,375. Those one-time expenditures resulted from technology upgrades in the libraries. New computers were purchased and wired, and a consultant was hired for that one year. The expenditures for those lines have been reduced significantly in the 1999-00 school year. The chart below details library expenditures for the last three years.

Hamilton Township School District				
General Fund Expenditures				
Educational Media Services/School Library	1996-97	1997-98	1998-99	% Inc.
Salaries of Other Professional Staff	\$68,933	\$72,362	\$74,657	8.30%
Purchased Educational Services	\$11,653	\$10,080	\$3,858	-66.89%
Purchased Professional/Technical Services	\$385	\$0	\$7,527	>100.00%
Other Purchased Services	\$0	\$5,778	\$27,375	>100.00%
Supplies and Materials	\$40,734	\$36,984	\$45,373	11.39%
Other Objects	\$0	\$581	\$0	0.00%
Total Educational Media Services/School Library	\$121,705	\$125,785	\$158,790	30.47%
Regular Program Instruction (Librarians)	\$81,625	\$86,969	\$93,891	15.03%
Totals	\$203,330	\$212,754	\$252,681	24.27%
Source: Comprehensive Annual Financial Reports				

Athletics and Extracurricular Activities

The athletics program for the Hamilton Township School District consists of five different interscholastic sports: soccer, girls' basketball, boys' basketball, wrestling, and cheerleading. These activities are conducted at the Davies Middle School and involve over 50 students. The district also provides 16 intramural sports programs at both the Davies and Hess Schools with participation of over 200 students. In addition to sports, the district offers over 20 clubs and other extracurricular activities with participation of over 1,000 students. The majority of the cost for these activities is in stipends for the teachers running the programs. The district monitors student participation in the various activities to ensure that funds are used efficiently. Teachers initiate new clubs or programs on a voluntary basis for two years. If the programs achieve sufficient student participation they become permanent programs with a stipend paid to the sponsor. Activities with waning student participation are eliminated.

The total cost for extracurricular activities for the district increased 26% over the last two years. The majority of that increase was in stipends. Some of the extracurricular activities require transportation. Transportation costs for the extracurricular activities were combined with field trips and totaled \$26,500 for 1998-99. Cost comparisons for the last two years are difficult to assess as the district switched from in-house to privatized transportation during that time and costs were assigned to different areas of the general ledger. Current negotiated rates for

extracurricular activities are \$130 per four-hour trip and compare favorably to costs for those services in other districts. In addition, according to the Department of Education Comparative Spending Guide, the district ranked 28th, ranked low to high, of 91 similar schools in spending for extracurricular activities.

A summary of the costs for the last two years is included in the table below:

Hamilton Township School District				
General Fund Expenditures				
Sports and Extracurricular	1996-97	1997-98	1998-99	% Inc.
Salaries	\$49,163	\$56,563	\$60,779	23.63%
Purchased Services	\$720	\$881	\$1,149	59.58%
Miscellaneous Purchased Services	\$560	\$327	\$500	-10.71%
Supplies and Materials	\$4,818	\$3,519	\$8,168	69.53%
Other Objects	\$520	\$0	\$0	-100.00%
Total - Sports and Extracurricular	\$55,781	\$61,290	\$70,596	26.56%
Source: Comprehensive Annual Financial Reports				

Alternative Education

Over the past few years, district officials in Hamilton Township have noticed a steady influx of middle school-age students with behavioral problems. District officials also noted that several of the new students had been enrolled in alternative schools prior to transferring to Hamilton. Due to the nature of their difficulties, many of these students are not classified nor are they considered classifiable.

Because of the aforementioned condition, and to address the academic and behavioral needs of the middle school-age children with behavioral problems, the district launched its alternative school program in September, 1999, for a total cost of approximately \$80,000 (the cost of salaries and supplies). The district did not incur any additional transportation expense.

An objective of the program is to have a maximum ratio of 12 students to one teacher. Placement into the program is based on a student's behavior, academic success, and attendance. Prior to placing a student in the program, a Pupil Assistance Committee (PAC) meets with the parent to discuss prevailing issues regarding their child. Members of the PAC include the principal, vice principal, a guidance counselor, the student's teacher, and a member of the child study team. Based upon the outcome of these discussions, the PAC develops an Individual

Program Plan (IPP) for the student to follow while enrolled in the program. This IPP also prescribes the length of enrollment in the program. A student's successful completion of the program and the recommendation of the PAC could result in re-entry to the Davies School.

Although the alternative school program was created for both seventh and eighth grade students, only eighth grade students are currently enrolled.

The alternative school is located on the third floor of the Duberson School, which is situated directly across the street from the Shaner School. The alternative school staff consists of a full-time teacher, a full-time teaching assistant, a related arts teacher, a counselor, a nurse, and a full-time secretary. The guidance counselor and school nurse are available as needed. The Davies School principal also provides administrative oversight for this program.

The district is to be commended for attempting to provide a solution to a troublesome trend that appears to be growing in today's educational environment.

Suggestion:

While the team is mindful that the district's alternative education program is in its infancy stage of growth, the district should consider expanding the program by admitting tuition students from surrounding districts. There is additional room in the Duberson School for such expansion. Before embarking on any such program expansion, the district should study staffing needs and survey the surrounding districts to determine the estimated number of students that would be attending this program.

BUSINESS OFFICE OPERATION

Organizational Structure/Staffing

The business and the administrative offices are housed in the Shaner School. In the 1998-99 school year, the business office consisted of a business administrator who had been employed in the district for six years. The business office staff included a secretary to the business administrator, a bookkeeper in charge of payroll and benefits and an accounts payable clerk. The accounts payable clerk was hired from a temporary service to replace a staff member who left due to illness. Also, the district contracted for a part-time accountant. The business office payroll totaled \$102,515.

A shift in personnel occurred in the 1999-00 school year. The temporary accounts payable clerk was replaced with a full-time bookkeeper and the part-time accountant was replaced with a full-time accounting services supervisor. The total business staff payroll increased to \$131,584 primarily due to the replacement of the part-time accountant with a full-time accounting services supervisor. In addition, duties were reassigned. The personnel clerk from the superintendent's office typed purchase orders. Currently, the business office secretary types purchase orders as part of her duties.

The business office secretary reports directly to the business administrator and the bookkeepers report to the accounting services supervisor who in turn reports to the business administrator.

The district had determined that the additional hours for the accountant were justified due to the growth of the district and the increased workload over the years. Based upon the job descriptions and responsibilities, the team determined the changes reasonable.

Technology/Training

The business office staff is proficient in the computerized accounting and payroll program; however, they are not using the program to maximum capacity. Information regarding personnel, such as salaries and employee titles were on a spreadsheet. This information could be entered in the personnel program initially and used for numerous tasks. The information could also enable the district to obtain records for payroll, budget preparation, or negotiations without duplication of work. While the team was reviewing the district's operations, the staff began taking advantage of the classes given by Gloucester County Special Services School District, the provider of the personnel, payroll, and accounting programs.

The staff is familiar with word, spreadsheet, and database programs. Each summer the staff attends in-district computer training courses at no cost. This training should be part of a continuous professional development program to give staff the opportunity to keep up with technology changes.

Recommendation:

LGBR recommends that training in computer programs be part of a continuous professional development effort for the business office personnel.

Payroll

The district purchased a license for a payroll package from Gloucester County Special Services School District at an annual support fee of \$2,315. In reviewing the payroll system, it was found that the personnel records did not integrate into the payroll system. By integrating the systems, portions of the personnel information could be transferred to the payroll system instead of reentering the information, i.e., salary, title, stipends, etc. The time saved is incalculable as payroll information is updated annually as well as when changes occur (new employee entries, terminations, etc.). It should be noted that the margin of error lessens as the information is entered only once into the system. Also, staff overtime and extra pay information was not isolated and could not be retrieved.

Recommendations:

LGBR recommends that the district investigate the possibility of integrating personnel and payroll information in order to eliminate duplication and facilitate payroll functions.

LGBR recommends that sub-accounts be set up to isolate overtime and extra pay information in order to provide accurate information for budget preparation.

The district has a personnel package, which includes staff salaries. This package is not being used to its full extent. Proper use of the program could be more beneficial to the district for payroll use, negotiation issues and budget planning.

Recommendation:

LGBR recommends that the computer personnel and payroll package be used to its full capability. By inputting necessary data into the modules, the district will be able to use the system more efficiently for payroll, budget preparation or negotiations purposes.

At the time of the review, one bookkeeper was responsible for the district's payroll as well as the reporting of taxes, social security, pension, and payment of salary deductions. Another staff member should be cross-trained in this responsibility. The district reported that cross-training staff in preparing the monthly payroll is planned.

Recommendation:

A second staff member should be cross-trained in preparing the monthly payroll. LGBR encourages the district to follow through on its cross-training plans as quickly as possible.

Policy and Procedures and Job Descriptions

Business office policy and procedure manuals provide guidance, minimize the uncertainty of transition when personnel changes occur, and provide clarification for current employees seeking information about a specific operation. As part of the business office review, LGBR reviewed district policy and procedure manuals. Sections of the procedure manual were found to be in need of reviewing and updating. The district contracted with a consulting firm to update its policy manual at a cost of \$14,000. A review of the job description manual indicated that the district updates its job descriptions each year or as the need occurs.

Inventory and Fixed Assets

The recent conversion to Generally Accepted Accounting Principles (GAAP) for New Jersey school districts mandated that the district set up a general fixed asset group of accounts and provide an inventory method to quantify the historical cost of fixed assets for the district.

Inventory stock and appraisal fixed asset lists provide organizations with valuable information. They not only list public assets, but also can help to identify theft, establish consumption guidelines, and prevent unnecessary purchasing. An incomplete inventory listing makes it difficult to identify a loss or obtain proper insurance coverage for the district.

The Hamilton School District has an inventory list, which is maintained by the maintenance department. The district used the Fixed Asset Control System III (FACS III) to record all fixed assets. A secretary or the department supervisor manually keys the data for all permanent fixed assets into the FACS III as soon as the inventory log form is submitted by the receiving

department. The accounting department has no control over the fixed asset ledger, except to print out the report as needed. A new appraisal company has been hired to review the district's fixed asset inventory at a cost of \$4,400.

A review of the fixed assets was conducted by the review team. It was found that school equipment, such as computers, fax machines, etc., were tabbed. Fixed assets valued under \$500 were also included in the fixed assets lists. The team found that the fixed assets were not recognized to the accounting ledger.

The board has a policy to outline the procedures for disposal of obsolete property. For 1998-99, the method used to dispose of this property was not cost effective. Previous to the 1998-99 school year, the district had been disposing of equipment periodically. Each time the district had a sale it incurred advertising and manpower costs. Atlantic County recently organized a cooperative public auction for the purpose of selling obsolete property. Many townships and school districts are invited to participate in this event. Hamilton Township has begun participating. The district saved advertising costs, time and manpower to sell through this cooperative public auction. The team supports this idea.

Recommendations:

- 1. Fixed asset control should be part of the business office function. The team recommends that this function be the responsibility of the business office since the business office could easily recognize the fixed assets based on actual invoiced costs. The fixed asset ledger should be updated periodically.**
- 2. The district should maintain two types of inventories. The first would involve a professional appraisal updated each year to quantify all equipment costing five hundred dollars or more. The district recently had the professional appraisal and must be sure it updates it with additions and deletions of equipment on a regular basis. Appraisals aid the district in determining the worth of district assets and appropriate insurance coverage.**

The other type of inventory involves supplies valued less than the appraisal threshold. The district should maintain an updated inventory list for these items also. This will help identify properties belonging to the district and assist the district in maintaining inventory control and proof of ownership for insurance claims on items not included in the professional appraisal. The inventory should be part of a database identifying object, location and value. The principal of each school should be held accountable as to the location and condition of all district property belonging to his/her school.

Capital Projects

The Hamilton Township School District presently monitors the growth of its student population to ensure that there is sufficient classroom space to provide instruction. The district has contracted with an outside consultant for advice on determining future enrollment projections. For school year 1997-98, the district had an average daily enrollment of 2,604 students. The consultants used several different methods and scenarios to project future enrollments through

school year 2009-10 and arrived at projected enrollments ranging from 2,424 students, assuming no further buildup, to 4,578 students assuming full buildup. According to the consultant, a projection that is interpolated between these two projections is the most likely scenario. That number rises from 2,679 students in school year 2000-01 to 3,764 in school year 2009-10.

Building capacity varies from year to year depending on the use of the particular spaces within each building. For example, specialized and remedial programs require more space than academic programs because of their smaller class sizes. This programmatic capacity is less than the maximum capacity that would be available if all of the available space were used for academic classrooms.

The Hamilton Township School District currently owns four school buildings. According to the consultant, the J. Harold Duberson School, constructed in 1927 and renovated in 1988, has a programmatic capacity of 216 students and a maximum capacity of 309 students. The third floor of that school is currently used for students in the alternative education program of the Hamilton District and for one in-district special education class. The additional space in this building is rented to The Greater Egg Harbor Regional High School District. The William Davies School, constructed in 1988, has a programmatic capacity of 611 students and a maximum capacity of 757 students. The George L. Hess Educational Complex, constructed in 1992, has a programmatic capacity of 1,556 students and a maximum capacity of 2,073 students. The Joseph C. Shaner School, constructed in 1957 and receiving additions or renovations in 1959, 1964, and 1988, has a programmatic capacity of 327 students and a maximum capacity of 426. The current programmatic capacity of all the schools combined is 2,710 students and the maximum capacity is 3,565. Enrollment projections show the student population exceeding the current programmatic capacity by school year 2001-02 and maximum capacity by 2007-08. As a result, the district is planning an addition to the Shaner School that is anticipated to increase programmatic capacity by 276 students and maximum capacity by 330 students.

The Shaner addition is not being funded with any long-term debt. The project is expected to cost approximately \$5 million. As of June 30, 1999, the district had approximately \$1.4 million set aside in a capital reserve. These funds came from the district's 1998-99 Early Childhood Program Aid (ECPA) allocation and prior carryovers. The district plans to reserve \$1.3 million from its 1999-00 ECPA allocation, \$1.2 million from its 2000-01 ECPA allocation, and \$1 million from the general fund, plus interest, to fund the addition.

Recommendation:

In light of the recently passed state School Facilities and Construction Act the district should review its options for construction in the event the district's student population exceeds programmatic and maximum capacity in the near future.

Long Term Debt

In 1986 the district entered into a lease-purchase agreement to build the Davies School. In 1990, the district entered into a similar agreement to build the Hess School. In 1992, the district issued the bonds that are currently outstanding. According to the Public Offering Statement regarding their issuance, these bonds were issued to provide funds to refinance the district's two

outstanding series of Certificates of Participation [i.e., the lease-purchase that funded construction of the Davies School (approximately \$11 million), and the lease-purchase that funded construction of the Hess School (approximately \$27 million)]. In addition, the bonds provided funds for capital improvements to the Shaner and Duberson schools (approximately \$2 million), and the costs of issuing the bonds. Approximations of the amounts disbursed were obtained from district administration.

According to the 1998-99 Comprehensive Annual Financial Report (CAFR), at year-end the Hamilton Township School District had bonds outstanding in the amount \$35,155,000. The original issuance of these bonds was December 1, 1992 in the amount of \$40,430,000. Although the district had a bonding capacity of only \$28.9 million, the School Bond law provided that a portion of the statutorily separate borrowing capacity of the underlying municipality could be used to accomplish financing. A breakdown of the outstanding bonds follows:

Township of Hamilton				
General Long-Term Debt				
June 30, 1999				
Date	Rate	Principal	Interest	Total
12/15/99	6.000%	\$1,505,000	\$2,074,066	\$3,579,066
12/15/00	6.000%	\$1,590,000	\$1,981,216	\$3,571,216
12/15/01	7.000%	\$1,690,000	\$1,874,366	\$3,564,366
12/15/02	7.000%	\$1,810,000	\$1,751,866	\$3,561,866
12/15/03	5.600%	\$1,930,000	\$1,634,476	\$3,564,476
12/15/04	5.700%	\$2,040,000	\$1,522,296	\$3,562,296
12/15/05	5.750%	\$2,150,000	\$1,402,344	\$3,552,344
12/15/06	5.875%	\$2,280,000	\$1,273,556	\$3,553,556
12/15/07	5.875%	\$2,415,000	\$1,135,641	\$3,550,641
12/15/08	6.000%	\$2,555,000	\$988,050	\$3,543,050
12/15/09	6.000%	\$2,705,000	\$830,250	\$3,535,250
12/15/10	6.000%	\$2,345,000	\$678,750	\$3,023,750
12/15/11	6.000%	\$2,030,000	\$547,500	\$2,577,500
12/15/12	6.000%	\$2,150,000	\$422,100	\$2,572,100
12/15/13	6.000%	\$2,275,000	\$289,350	\$2,564,350
12/15/14	6.000%	\$2,410,000	\$148,800	\$2,558,800
12/15/15	6.000%	\$1,275,000	\$38,250	\$1,313,250
		\$35,155,000	\$18,592,877	\$53,747,877

The business administrator, under advisement of the Bond Counsel, has the responsibility of monitoring bond rates to determine the benefits of refinancing. In this instance, the bonds of the Hamilton School District are not eligible for early redemption until on or after December 15, 2003. Regulations allow that at that time, if the savings from reissuing bonds, net of any issuance costs, is 3% or greater, then the district may consider refinancing.

General Administrative Costs

A comparative review of Hamilton, Galloway, Somers Point, Upper Township and Barnegat Township of the function 230 – Support Services General Administration – account and School Administration account for fiscal year 1998-99 was conducted. This function includes expenses associated with the board of education. The review revealed the following costs for fiscal year 1998-99 based on the 6/30/99 Audit Report:

	Hamilton Township	Galloway Township	Somers Point City	Upper Township	Barnegat Township
GENERAL ADMINISTRATION					
Salaries	\$104,751	\$311,752	\$73,138	\$170,417	\$334,734
Legal Services	\$23,966	\$26,633	\$11,245	\$14,843	\$25,487
Other Purchased Professional Services	\$100,197	\$326,422	\$94,701	\$54,348	\$62,361
Purchased Technical Services	\$0	\$0	\$0	\$0	\$23,130
Rentals	\$10,030	\$566,654	\$0	\$0	\$0
Insurance	\$56,208	\$0	\$0	\$0	\$0
Communications/Telephone	\$87,955	\$117,111	\$42,270	\$56,231	\$85,101
Travel	\$0	\$18,789	\$0	\$0	\$0
Other Purchased Services	\$30,384	\$39,968	\$43,847	\$45,818	\$16,505
Supplies and Materials	\$10,017	\$26,447	\$4,479	\$5,949	\$4,524
Judgments Against the School District	\$10,000	\$0	\$0	\$0	\$0
Miscellaneous Expenditures	\$7,000	\$29,932	\$5,560	\$10,238	\$33,045
Total Support Service General Admin.	\$440,507	\$1,463,709	\$275,240	\$357,844	\$584,886
SCHOOL ADMINISTRATION					
Salaries of Principal/Assistant Principals	\$360,597	\$763,791	\$212,409	\$237,023	\$486,762
Salaries of other Professionals	\$79,237	\$0	\$42,570	\$0	\$0
Salaries of Secretarial & Clerical Assts.	\$299,535	\$368,464	\$93,904	\$183,792	\$227,383
Rentals	\$49,535	\$0	\$0	\$0	\$0
Travel	\$343	\$3,519	\$0	\$0	\$0
Purchased Professional & Technical Services	\$533	\$0	\$0	\$0	\$5,128
Other Purchased Services	\$0	\$0	\$27,425	\$1,677	\$13,997
Supplies and Materials	\$27,415	\$78,862	\$15,718	\$9,851	\$55,221
Other Objects	\$2,141	\$27,826	\$0	\$2,686	\$10,365
Total Support Services School Admin.	\$819,336	\$1,242,462	\$392,026	\$435,028	\$798,856
Estimated Avg. daily enrollment (1998-99)	2,604	4,039	1,259	1,819	3,089

A comparison of per pupil costs for general administration and school administration expenditures (function 230) for fiscal year 1998-99 for Hamilton and the comparative school districts revealed the following:

	Hamilton Township	Galloway Township	Somers Point City	Upper Township	Barnegat Township
GENERAL ADMINISTRATION					
Salaries	\$40.23	\$77.19	\$58.09	\$93.69	\$108.36
Legal Services	\$9.20	\$6.59	\$8.93	\$8.16	\$8.25
Other Purchased Professional Services	\$38.48	\$80.82	\$75.22	\$29.88	\$20.19
Purchased Technical Services	\$0.00	\$0.00	\$0.00	\$0.00	\$7.49
Rentals	\$3.85	\$140.30	\$0.00	\$0.00	\$0
Insurance	\$21.59	\$0.00	\$0.00	\$0.00	\$0
Communications/Telephone	\$33.78	\$28.99	\$33.57	\$30.91	\$27.55
Travel	\$0.00	\$4.65	\$0.00	\$0.00	\$0
Other Purchased Services	\$11.67	\$9.90	\$34.83	\$25.19	\$5.34
Supplies and Materials	\$3.85	\$6.55	\$3.56	\$3.27	\$1.46
Judgments Against the School District	\$3.84	\$0.00	\$0.00	\$0.00	\$0
Miscellaneous Expenditures	\$2.69	\$7.41	\$4.42	\$5.63	\$10.70
Total Support Service General Admin.	\$169.18	\$362.40	\$218.62	\$196.73	\$189.34
SCHOOL ADMINISTRATION					
Salaries of Principal/Assistant Principals	\$138.48	\$189.10	\$168.71	\$130.30	\$157.58
Salaries of Other Professionals	\$30.43	\$0.00	\$33.81	\$0.00	\$0
Salaries of Secretarial & Clerical Assts.	\$115.03	\$91.23	\$74.59	\$101.04	\$73.61
Rentals	\$19.02	\$0.00	\$0.00	\$0.00	\$0
Travel	\$0.13	\$0.87	\$0.00	\$0.00	\$0
Purchased Professional & Technical Services	\$0.20	\$0.00	\$0.00	\$0.00	\$1.66
Other Purchased Services	\$0.00	\$0.00	\$21.78	\$0.92	\$4.53
Supplies and Materials	\$10.53	\$19.53	\$12.48	\$5.42	\$17.88
Other Objects.	\$0.82	\$6.89	\$0.00	\$1.48	\$3.36
Total Support Services School Admin.	\$314.64	\$307.62	\$311.37	\$239.16	\$258.62
Total Per Pupil Cost for General & School Admin.	\$483.82	\$670.02	\$529.99	\$435.89	\$447.96

An analysis of this data reflects that, using the function 230 figures from the 1998-99 audit report, the per pupil general administrative costs for Hamilton were \$167.18, as compared with \$362.39 for Galloway, \$218.62 for Somers Point, \$196.73 for Upper Township and \$189.34 for Barnegat School District. It revealed that Hamilton's general administration costs were in the lowest range. The per pupil school administrative costs for Hamilton were \$314.65, as compared with \$ 307.62 for Galloway, \$311.38 for Somers Point, \$239.16 for Upper Township and \$258.61 for Barnegat School District. Hamilton's per pupil school administrative cost ranked the highest.

Fund Balance/Surplus

Generally, a district maintains a small percentage of funds in its fund balance (surplus) to guard against possible emergency needs (N.J.S.A. 18A:7F-1 to 18A:7F-34.) The Comprehensive Education Improvement and Financing Act of 1996 (CEIFA) requires that if a district's unreserved general fund balance (surplus) reaches an excess of 6% of the prior year's budget, it must appropriate the excess to the subsequent year's budget for tax relief. The state does not stipulate the minimum amount of surplus a district should maintain; however, since revenues are not always received on a timely basis and expenditures may vary from month to month, the district must anticipate its cash flow needs throughout the year.

According to the NJ Department of Education's Comparative Spending Guide, the district had an unreserved general fund balance in excess of 6% in the 1996-97 school year in the amount of \$770,485. As required, the district appropriated funds into the subsequent year's budget. Surplus balances decreased in future year's budgets.

A district's ability to estimate surplus accurately is strongly predicated on its success in establishing sound budgetary and internal controls. Procedures established in this regard are necessary to ensure adequate budgetary and financial control during the year and accurate accountability at year-end. These in-place, control procedures can be utilized to institute corrective action by alerting management when significant budget and accounting data deviations occur from original estimates made.

Tracking trends in revenues, expenditures, and annual surplus can assist districts in estimating surpluses accurately. When district personnel prepare the budget, they know fairly precisely the amount of revenue the district will receive for the upcoming year. In reviewing the past three years (1996-97 through 1998-99), the Hamilton Township School District's revenue from local tax levy as a percent of total general fund revenues remained constant. Interest on investments and miscellaneous revenues also remained constant. However, the total general fund revenue increased 14% from the 1997-98 to the 1998-99 school year and 3% from the 1996-97 to the 1997-98 school year. The increased budget resulted in an increased tax levy in the 1998-99 school year. The following table illustrates the district's general fund revenue distribution over the past three years:

	1996-97		1997-98		1998-99	
General Fund	Actual	%	Actual	%	Actual	%
Local Tax Levy	\$7,601,762	51.83%	\$7,601,762	50.02%	\$8,500,849	48.92%
Interest on Investment	\$105,910	0.72%	\$104,829	0.69%	\$121,173	0.70%
Miscellaneous	\$220,518	1.50%	\$255,094	1.68%	\$182,132	1.05%
State Aid*	\$6,731,959	45.90%	\$7,211,642	47.46%	\$8,540,715	49.15%
Federal Aid	\$7,448	0.05%	\$23,192	0.15%	\$32,177	0.19%
Total Revenue	\$14,667,597	100.00%	\$15,196,519	100.00%	\$17,377,046	100.00%

Sources: District's CAFR

*Excluded pension and social security contributions.

The following table illustrates the difference between the district's budgeted and actual revenues, expenditures, and surplus in the general fund for the 1996-97, 1997-98, and 1998-99 school years:

	1996-97		Chg.	1997-98		Chg.	1998-99		Chg.
	Budget	Actual	in %	Budget	Actual	in %	Budget	Actual	in %
Local Tax Levy	\$7,601,762	\$7,601,762	\$0	\$7,601,762	\$7,601,762	0.00%	\$8,500,849	\$8,500,849	0.00%
Interest on Investments	\$125,000	\$105,910	-18.02%	\$100,000	\$104,829	4.83%	\$100,000	\$121,173	17.47%
Miscellaneous	\$154,730	\$220,518	29.83%	\$150,000	\$255,094	41.20%	\$196,500	\$182,132	-7.89%
State Aid*	\$6,731,959	\$6,731,959	0.00%	\$7,211,642	\$7,211,642	0.00%	\$8,540,715	\$8,540,715	0.00%
Federal Aid	\$0	\$7,448	100.00%	\$0	\$23,196	100.00%	\$0	\$32,177	100.00%
Total Revenue	\$14,613,451	\$14,667,597	0.37%	\$15,063,404	\$15,196,523	0.88%	\$17,338,064	\$17,377,046	0.22%
Total Expenditures	\$15,675,914	\$15,606,258	-0.44%	\$15,478,247	\$15,002,709	-3.07%	\$17,501,050	\$17,113,196	-2.27%
(Over)/Under Expend.	(\$1,062,463)	(\$938,661)	11.65%	(\$414,843)	\$193,814	146.72%	(\$162,986)	\$263,850	261.89%
Other Finance Sources	\$0	\$0	0.00%	(\$83,976)	(\$83,976)	0.00%	(\$92,977)	(\$92,255)	0.78%
Surplus or (Deficit)	(\$1,062,463)	(\$938,661)	11.65%	(\$498,819)	\$109,838	122.02%	(\$255,963)	\$171,595	167.04%
Beginning Fund Bal.	\$693,374	\$1,720,259	148.10%	\$781,598	\$781,598	0.00%	\$891,436	\$891,436	0.00%
Ending Fund Bal.	(\$369,089)	\$781,598	-311.76%	\$282,779	\$891,436	215.24%	\$635,473	\$1,063,031	67.28%
Fund Bal./Total Exp.	-2.354%	5.008%	0.00%	1.827%	5.942%	0.00%	3.631%	6.212%	0.00%

Sources: The district's CAFR

*Excluded TPAF pension and social security contributions.

In all three years illustrated above, the district did not budget revenues for federal aid. This aid increased in each of the three years reviewed. The miscellaneous revenues were under-budgeted in both the 1996-97 and 1997-98 school years.

In the 1997-98 general fund budget, the board appropriated \$498,819 from its fund balance and estimated an end-of-the-year fund balance of \$287,779. However, by the conclusion of the budget year, the district had realized a saving of \$109,838 increasing its fund balance to \$891,436. In the 1998-99 general fund budget, the board appropriated \$255,963 from its fund balance and estimated an end-of-the-year fund balance of \$635,473. Instead, it actualized a \$1,063,031 fund balance. In each of the two years discussed, the district overestimated its expenditures.

Recommendation:

LGBR recommends that the district develop a method that results in a more accurate annual estimate of its budget expenditures and fund balance.

Auditor Fees

An auditor fee is included as part of the general administration cost, which is recorded in the "other purchased professional services" category. The district expended \$15,377 in 1998-99 for audit fees. The audit fees included \$12,969 to perform the statutory audit and prepare the Comprehensive Annual Financial Report (CAFR). The district also paid \$1,988 for a service in connection with the dissolution study and \$420 for the presentation service to the board finance committee on the board secretary's and treasurer's reports. The district selected the audit firm from among the five companies that submitted the requests for proposals and it was the third highest.

The review team conducted a comparative review of auditor fees paid by the Hamilton, Galloway, Somers Point, Upper Township and Barnegat school districts. Hamilton paid the average auditing service fees in 1997-98. For school year 1998-99, Hamilton ranked the highest in auditing service fees, except for Galloway, among the comparative districts. Galloway paid the highest audit service fees, probably due to the size of the school district. (It is 50% larger than Hamilton Township.)

Following are the basic rates for audit expenses of the compared school districts for 1997-98 and 1998-99.

	Hamilton Township	Galloway Township	Somers Point City	Upper Township	Barnegat Township
1997-98	\$13,500	\$29,813	\$10,925	\$13,500	\$13,200
1998-99	\$15,377	\$33,000	\$11,000	\$13,500	\$12,500

Recommendation:

The district should seek Requests for Proposals (RFP's) for the purpose of promoting competitive audit fees from different accounting firms, and should consider awarding the contract to the lowest bidder.

Legal Services

An analysis of the Hamilton Township School District's legal expenses over the two year period (1997-98 and 1998-99) revealed expenditures totaling \$35,224 and \$23,966 respectively. Legal fees decreased by \$11,258 or 47%. The high legal cost prior to school year 1997-98 was due to a lawsuit involving the design of the Hess School building. A review of the vendor analysis records for school years 1997-98 and 1998-99 showed that most legal fees were paid for consultation, litigation, review of board agendas and contracts. The board realized retainer fee savings of \$15,000 by changing to a different board attorney two years ago. The current board attorney was selected through the Request for Proposals (RFP) competitive process and is presently compensated at the rate of \$110 per hour. There is no indication that the board has entered into a formal written agreement with the legal service providers to specify the nature and extent of services.

The team reviewed the monthly invoices associated with the district's 1997-98 and 1998-99 legal fees. The monthly billing statements reference the specific dates and matters for which services were provided, but omit some of the important information, such as the amount of time expended on each individual task for which the district was billed.

Under current arrangements, top administration, including the school superintendent, business administrator, principals and department directors, all have direct contact with the board attorney.

The review team conducted a comparative review of legal fees paid by the Hamilton, Galloway, Somers Point, Upper Township and Barnegat school districts. The district is paying the highest hourly rate with no retainer fees.

The following are the attorney costs of the comparison school districts for 1997-98 and 1998-99.

		Hamilton Township	Galloway Township	Somers Point City	Upper Township	Barnegat Township
Total Legal Exp.	1997-98	\$35,244	\$41,407	\$20,486	\$14,843	\$30,028
	1998-99	\$23,966	\$26,633	\$19,198	\$23,611	\$13,045
Hourly Rate	1997-98	\$110	\$80	\$90	\$70	\$85
	1998-99	\$110	\$80	\$90	\$70	\$85
Retainer Fees	1997-98	\$0	\$0	\$2,400	\$3,000	\$7,000
	1998-99	\$0	\$0	\$3,000	\$3,000	\$7,000
Salary	1997-98	\$0	\$13,350	\$0	\$0	\$0
	1998-99	\$0	\$16,596	\$0	\$0	\$0

Recommendations:

- 1. The board should consider entering into a formal written agreement with its legal service providers, specifying the nature and extent of services to be provided, based upon contracts awarded per RFP.**
- 2. The district should require more detailed legal services billing, including time spent on individual tasks, e.g., length of individual telephone calls, length of time to review contract, etc. The district could then see exactly how its legal dollars are spent, and perhaps take steps to reduce these costs.**

Cash Management

Cash Management Plan

According to the CAFR, the Hamilton School District has adopted a cash management plan which, in accordance with N.J.S.A. 18A:20-37, requires governmental agencies to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). The district's cash management plan sets forth policies, procedures and investment guidelines to govern the district's investment program.

The business administrator handles the cash management functions. The district's bank has provided the district with a software program to allow on-line access to accounts and transfers between accounts. The business administrator reviews balances on a regular basis for the purpose of investing monies into high yield accounts.

Treasurer of School Monies

According to N.J.S.A. 18A:17-34, 35, and 36, the treasurer holds in trust all Local Educational Agencies (LEA) moneys, keeps a record of all monies received and expended, and reports to the board monthly, giving a detailed account of all receipts and expenditures. This mandated position provides a control mechanism with the district. The Report of the Treasurer (Form A-149) is a summary of cash activity of all accounts by fund.

The district's treasurer is the chief financial officer of the municipality of Hamilton Township. He has been employed for approximately 10 years. The treasurer received an annual salary of \$4,288 for his responsibilities in the 1998-99 school year. Reviewing previous contracts, salary increases have been in increments of \$100; however, there was no increase in the 1999-00 school year. The district has a job description on file listing the treasurer's duties and responsibilities.

The treasurer receives the monthly deposits and expenditure registers for all accounts, but reconciles the current account only. The business administrator and business office staff reconcile all other bank accounts and submit a summary of all accounts to the treasurer to include in the Report of the Treasurer. The reconciliation of all accounts should be prepared by the treasurer independently of the board secretary's report to provide additional control over cash and cash transactions.

A review of the process indicated that the bank statements are in the board office for reconciling almost a month before the treasurer receives them for his report. If the treasurer reconciles all accounts, then all bank statements can be sent directly to the treasurer earlier in the month. This would result in a more timely report and would eliminate the need for the board office personnel to reconcile the accounts.

Recommendation:

LGBR recommends that the business office eliminate the responsibility of reconciling bank statements. This should be the responsibility of the treasurer. The result will be separate and independent control over cash and cash transactions.

Banking Relationship

The Hamilton Township School District solicited proposals for its banking services in 1997. The present banking relationship specifies that interest will be paid on the full collected balance in all accounts with an interest rate based on the 91 day treasury bill. The bank charges no service fees and has no requirements of compensating balances on any account. The district's bank made the monthly analysis statement available showing the earnings credits, which is only used for informational purposes. The school does not receive a copy of the monthly analysis. While the team reviewed the district's operations, the district was in the process of again seeking bank proposals for its operating accounts.

The district's relationship with the bank is an effective one. The district should be commended for seeking proposals to improve its financial interest.

General Operating Cash Accounts

The district maintains the following checking accounts for general operating purposes:

- General Fund
- Payroll
- Payroll Agency

- Unemployment Trust
- Food Service
- Kids Corner (Latchkey Program)

The general operating account funds, as well as the capital reserve account, are included on the monthly analysis statements. Interest is calculated on the average collected balance. Interest rates for the 1998-99 school year averaged 4.58%.

Capital Reserve

In the 1997-98 school year, the district began to receive Early Childhood Program Aid from the state. This aid may be held in a capital reserve account until needed for use in kindergarten and preschool programs. The state wires these funds monthly into the district bank account. The district transfers funds on a regular basis to a private banking institution. These funds will be expended for the purpose of building an addition to the Shaner School to provide classrooms for full-day kindergarten and preschool programs.

Hamilton Township Education Fund, Inc.

This fund is a non-profit community organization that operates for charitable and educational purposes in order to secure contributions from individuals, corporations, and foundations for the benefit of students. The fund articles specify that two funds be established. Fund A is maintained by the school district. Contributions into this account are limited to funds received from developers constructing residential housing developments. As of June 30, 1999, Fund A had a balance of \$43,575. During the school year, funds from this account were used to purchase three computers. The district reported that contributions to this account would soon be terminated. Fund B is maintained by a board of trustees and is described in the “Best Practices” section of this report.

Investments and Interest Earnings

In the 1998-99 school year, the district earned an average interest rate of 4.58% on its operating accounts. Monies from the general fund are occasionally invested in certificates of deposit (CD's). The district receives quotes from various banks for this investment. Also, the district invests excess funds in the New Jersey Cash Management Fund (NJCMF). A review of the interest rates of the various investment sources is as follows:

1998-99	DISTRICT BANK	PRIVATE	NJCMF	91 Day T-Bill
July	4.61%	N/A	5.32%	4.96%
August	5.11%	N/A	5.34%	4.94%
September	4.86%	N/A	5.31%	4.74%
October	4.36%	N/A	5.15%	4.08%
November	4.30%	N/A	4.99%	4.45%
December	4.51%	N/A	4.98%	4.14%
January	4.54%	N/A	4.86%	4.34%
February	4.47%	4.73%	4.76%	4.34%
March	4.65%	4.51%	4.78%	4.48%
April	4.45%	4.55%	4.78%	4.28%
May	4.49%	4.49%	4.74%	4.51%
June	4.61%	4.58%	4.77%	4.59%
Average	4.58%	4.57%	4.98%	4.49%

The district began investing funds in a private institution in February, 1999. Based on a five-month comparison with NJCMF, the team estimates the district would have realized an annual gain of \$1,853 by investing in NJCMF instead of the private institution.

The table above indicates that the district's bank interest rates are competitive. By investing excess funds into NJCMF, the district was receiving optimum earnings on its funds. Bidding for financial services was beneficial to the district.

Recommendation:

LGBR recommends that the district continue to compare interest rates regularly. Investing in NJCMF would have gained the district \$1,853 over the investment in the private institution. (It should be noted that the review team realizes that past performance is no guarantee of future performance.)

Revenue Enhancement: \$1,853

Student Activity Accounts

The district has three student activity accounts, one in each school. Revenues are generated through school store sales, fundraising events and yearbook sales. Also included in revenues are donations from PTA for class trips and donations to individual clubs, donations made by parents for purchase of instructional items, and donations made by community organizations for scholarships given to eighth grade graduating students.

Accounting for individual activities within the funds is done in each school. The accounting supervisor reviews the accounts periodically. The total funds in the activity accounts as of June 30, 1999 were \$73,390, an increase over the previous year of \$14,150. It is understandable that

clubs need a small balance to continue their activities; however, several club balances are high and it is recommended that a portion of the funds be expended, decreasing the balances in these accounts.

One particular item in the student activity account is the “summer swim.” The review team found this activity to be a good one; however, it was determined that this activity should be recorded in the enterprise fund. Each summer the school offers swim lessons for which parents pay a fee. Students from ages 3-16 may register. The fees are collected to fund salaries for instructors and lifeguards as well as completion certificates. The board of education pays the salaries and, after the summer season, the activity fund reimburses the board. The ending balance on June 30, 1999 was \$19,000. The reason for the high balance was that fees had been collected for the 1999 summer swim class, but salary expenses would not be paid until after the class began in July and August, 1999. These funds were contributing to the high balance in the student activity fund.

Recommendations:

LGBR recommends that the activity accounts and fund balances be reviewed. The portion of the funds raised for activities should be expended to a level where only necessary balances are on deposit.

LGBR recommends that the finances of the swim program be recorded in the enterprise fund.

Scholarship Account

The district has a scholarship fund that is set up as a non-expendable trust fund. A non-expendable trust limits the expenses to the interest earned on the principal trust. The principal is \$2,000. Each year interest in the amount of \$200 is received from an out-of-state location. The \$200 is awarded at graduation to several eighth-grade students.

Overall, the review indicated that the district’s management of its funds has been successful. The district keeps abreast of current interest rates, seeks proposals in the competitive market and is organized in its investment practices.

Purchasing

The Hamilton Township School District’s purchasing guidelines and procedures are outlined in board policy and regulations. Also, the district has a quick reference guide for purchasing procedures to assist new employees as well as those who wish to refer to current laws and guidelines. The policy indicates that purchasing is the responsibility of the school business administrator and is a function of the business office. Two bookkeepers perform the duties under the supervision of the director of accounting and business administrator.

Accounting System

The district pays licensing charges for computer services from Gloucester County Special Services School District (GCSSSD). In the 1998-99 school year, the cost to the district was \$6,813, which included the payroll system, agency accounting system, personnel information

system and the budget accounting system. The budget accounting system cost was \$2,315, which also included training of employees. The cost of this accounting module has remained the same for five years.

Purchase Orders

The district issues approximately 2,000 purchase orders per year. Requests for purchases (requisitions) are initiated by teachers or department heads and initially approved by principals or supervisors. Ultimately, the superintendent gives final approval to all requisitions. The supervisor of accounting services reviews the requisitions for correct account numbers and fixed assets records. The bookkeeper enters the purchase orders into the computer system. Prior to mailing, all purchase orders are approved by the superintendent and business administrator. Supplies are received in a central receiving location in the Hess Complex. After an order is checked in, the receiving form and packing slip are returned to the board office. The purchase order is prepared for payment upon receipt of appropriate invoices. The bill list is presented to the board monthly and bills are paid after board approval. The board also approves transfers between line item accounts.

Reviewing the purchase order process resulted in the following findings:

- Partial payments of purchase orders were being made routinely. This practice caused unnecessary and timely work in making final payments and finalizing purchase orders.
- Some purchase orders were issued long after the date of requisition. A schedule for issuing purchase orders should be followed in order to receive items ordered in a timely fashion.
- Purchase orders totaling under \$150 were being held for vendors' signatures. N.J.S.A. 18A:19-3, Verification of Claims, states that "All claims and demands, exceeding \$150 in amount, except for payrolls and debt service, shall be verified by affidavit, or by a signed declaration in writing...." There is no requirement to hold purchase orders for signature when they are under \$150. This practice results in undue postage and telephone costs.
- The reference guide for purchasing procedures was not being utilized. The district maintains a reference guide that outlines procedures for purchasing. This can be a useful tool for new employees, particularly the district's bookkeeper.

The accounting duties are divided. One bookkeeper enters purchase orders and the other bookkeeper is responsible for checking invoices and payment of orders. The staff is cross-trained in the purchase order process.

Purchasing Jointures/Cooperatives/State Contract:

- ***School and Custodial Supplies and Copier Paper*** – In the 1997-98 and 1998-99 school years, a private firm cooperatively bid supplies for several districts. The fee for the district was \$3,600. In 1999-00, the district is participating in a cooperative program with Greater Egg Harbor Regional School District for supplies. The participating districts share payment of bidding costs. The copier paper is currently purchased through a cooperative program

with the Pittsgrove Board of Education at no cost to the district unless the district requests inside delivery or shipment of small quantities.

- ***Textbooks*** – The district participates in the Greater Egg Harbor Regional School District Cooperative Program for the purchase of textbooks. Textbooks are shipped to one location saving the district shipping costs. The participating districts share bidding costs.
- ***Telephone Long Distance*** – In the 1999-00 school year, the district joined the Hunterdon County Educational Services Commission Consortium. This program is projecting a 49% savings on long distance costs and a savings on intralata (local long distance) calls.
- ***Lunch Program Food Services*** – The district participates in the South Jersey Food Cooperative for bidding of lunch program food services and processing and storing of government commodities.
- ***Electric Consortium*** – In the 1999-00 school year, the district joined in the Alliances for Competitive Energy (ACES), a cooperative program for bulk purchase of energy usage. ACES is an alliance coordinated by the New Jersey School Boards Association along with the New Jersey Association of School Administrators, and the New Jersey Association of School Business Officials for the purpose of facilitating the economical group purchase of electricity and energy related services for school districts. There is no cost to the districts for joining this cooperative. According to ACES, aggregate bidding will enable districts to realize a projected savings range of 10.5% – 13% depending upon which area in the state the district energy is purchased.
- ***Natural Gas, Milk, Bread*** – The district is a member of the Atlantic County Cooperative who bids for these and other products.
- ***Insurance*** – The district is a member of Atlantic & Cape May Counties School Business Officials Joint Insurance Group, a self-insurance pooling fund. The district pays 4% of the board's annual assessment to its risk management consultant.
- ***Transportation*** – The district participates in the Atlantic County Special Services School District and Greater Egg Harbor Regional School District cooperative programs for student transportation services.

The district's policy entitled Cooperative Purchasing, authorizes and encourages the business administrator to negotiate joint purchase agreements. The district should be commended for consistently investigating various sources in order to participate for the purpose of achieving better purchasing power. The effort saves taxpayer dollars.

Recommendations:

LGBR recommends that the purchase order process be reviewed to attain a more efficient process.

LGBR recommends that the district investigate purchasing from the NJ Department of the Treasury's Distribution and Support Services. Supplies and materials are available to state agencies at an average saving of 30% over many sources.

Grants Management

The administration of grants is divided among several staff members. The majority of the grants are the responsibility of the coordinator of curriculum and instruction. This person has been

employed in the district for three years and has had previous experience in writing grants in a neighboring district. When the coordinator was hired in 1997, she was familiar with the Goals 2000 Grant and applied for funds. Funds for this grant were awarded on a calendar year as follows:

Year 1	1998	\$124,000
Year 2	1999	\$200,000
Year 3	2000	\$100,000

The district reported that the grant monies increased by approximately \$25,000 in the 3rd year of the grant and the grant was extended to a fourth year. The grant was awarded for an innovative project in the school district. The Hamilton Township district applied for funds to teach students about careers. The classes use distance learning with the County Vocational Technical School.

The IDEA grants are written and administered by the supervisor of child study teams and Special Education Services.

In the 1998-99 school year, Hamilton Township was awarded \$891,996 in federal grants and \$2,379,694 in state restricted grants. The following is a table of grants received in the past three years:

	1998-99	1997-98	1996-97
FEDERAL GRANTS			
Title I, Part A, Basic	\$243,602	\$237,307	\$103,178
Title I, Part A, Summer	\$6,997	\$0	\$0
Title II, Math/Science - IKE	\$9,557	\$7,654	\$6,525
Title II, Math/Science - Summer	\$2,517	\$0	\$0
Title IV-Safe and Drug-Free Communities Act	\$13,153	\$11,766	\$9,430
Title VI, Innovative Education Program Strategies	\$10,885	\$9,520	\$8,206
Title VI, Innovative Education Program Strategies-Summer	\$836	\$0	\$0
IDEA Part B	\$271,185	\$227,480	\$171,884
IDEA Preschool	\$38,264	\$41,540	\$44,220
Goals 2000-Educate America Act	\$200,000	\$124,000	\$0
Technology Literacy Grant	\$95,000	\$95,000	\$0
Total Federal Grants	\$891,996	\$754,267	\$343,443
STATE GRANTS			
Demonstrably Effective Program Aid (DEPA)	\$810,040	\$1,812,277	\$0
Early Childhood Program Aid (ECPA)	\$1,269,774	\$121,000	\$0
Distance Learning Network Aid	\$109,265	\$101,773	\$0
Child Assault Program (CAP)	\$9,000	\$0	\$0
Non Public School State Aid:	\$0	\$0	\$0
Nursing	\$15,517	\$14,017	\$15,114
Textbook Aid	\$10,208	\$10,594	\$10,701
Auxiliary Services:			
English as a Second Language	\$8,739	\$8,791	\$6,115
Basic Skills	\$58,970	\$43,292	\$38,981
Transportation	\$7,184	\$8,065	\$5,338

Home Instruction	\$0	\$0	\$1,862
Handicapped Services:			
Supplemental Instruction	\$8,878	\$9,481	\$6,772
Examination & Classification	\$19,523	\$14,404	\$20,938
Corrective Speech	\$48,056	\$47,202	\$52,454
Technology Aid	\$4,540	\$0	\$18,913
Total State Grants	\$2,379,694	\$2,190,896	\$177,188

It should be noted that Title I monies have increased significantly over the past three years. Eligibility for this grant is based on poverty level, determined by the number of free lunch applications, which increased from under 20% to 24% of the total enrollment.

There is one nonpublic school in the township. Funds from the nonpublic grants served approximately 260 students in the 1998-99 school year. Several of the federal grants provided a portion of funds awarded for nonpublic schools as well.

The district applied for and received a Child Assault Program (CAP) grant for the 1998-99 school year. Monies from this grant provided programs for teachers, parents and students.

In the 1998-99 school year, Early Childhood funds were made available to districts by the state. Since that time, the district has accumulated the funds in a capital reserve account to fund the expansion of the Shaner School. As of June 30, 1999, the capital reserve account was \$1,390,777.

According to the CAFR, the district returned \$17,276 from grants the nonpublic school did not expend. There were no district funds returned to grantors.

It appears that the district is making a concerted effort to apply for any grants available. Also, grant funds are being spent according to application requirements.

The district should frequently visit the New Jersey Department of Education web site, www.state.nj.us/education, (click on "grants,") and the United States Department of Education web sites, www.ed.gov/inits.html and www.ed.gov/funding.html, for current information on available grant programs. These web sites provide an excellent source of information for schools to determine those additional grants for which they may qualify.

INSURANCE

The board of education is enrolled in a regional joint insurance fund that has recently undergone changes that will change the overall demographics of the group. In March, 2000, the fund lost its two largest net contributors. The fund, upon learning that the two districts were shopping the marketplace for other options, did try to adjust some of the perceived inequities found among the participants. They could not recapture the attention of the participants that chose to leave.

Hamilton Township Board of Education paid an assessment of \$175,688 in 1999-00. Prior to the changes in membership in the Joint Insurance Fund (JIF), the district was due for an assessment

of \$181,757 and a proposed surplus release of \$7,688 for a net change in premium of -\$1,619. Several members chose coverage elsewhere and this changed the proposed increases.

There were several factors, which may have contributed to changes in membership. It appears that the fund was not updating assessments regularly. Some districts had increased their risk exposure due to increased assets, vehicles and payroll, yet assessments were not increasing in a consistent manner.

The fund administrator attempted to adjust the funding mechanism in order to account for the growing inequity regarding assessments found within the fund. The fund was using a modified method of experience rating tiers, whereby there were three separate groups. The safest group was not subject to a rate increase. The average group was subject to a moderate increase; and the last tier or least safe group, as measured by loss ratio percentages, was subjected to a larger increase. Members in this fund were not assessed evenly based upon risk levels and other factors, such as salary levels, asset levels, and losses. This was only worsened with renewals and changes.

The business administrator is also the fund's chairperson. The district has a good loss ratio compared to others in the plan and plans on continuing with the joint insurance fund with its amended membership; and the plan's administrator is planning on amending the administration costs. Overall, the fund lost about \$689,000 in assessments from a total budget of \$3,765,000 for 1999 when the two districts decided to leave. There will be increased pressure for the fund to hold some of the members of the fund more accountable for their claims levels, which could potentially change the net exposure of the fund to risk.

There are essentially two ways for an organization to save money in property and casualty insurance: improve the safety record or shop for a more reasonable plan. Prevention of an injury is usually the least expensive way of dealing with insuring against it. The district has been diligent about testing the waters of the marketplace and in remaining safe, when compared to others within the fund.

Recommendation:

The district should continue to test the marketplace, and make comparisons in order to determine whether its assessment is fair compared to other risk management vehicles. Other districts have found that testing the marketplace can produce savings by inducing a joint insurance fund to reconsider its assessment based upon market conditions.

FACILITIES & OPERATIONS

Overview

Hamilton Township's facilities consist of approximately 386,869 square feet of space in four school buildings, including administrative space located in the lower level of the Shaner School. The Duberson School building is presently being leased to the Oakcrest Regional High School for its alternative education program. Also, Hamilton utilizes two of the classrooms in this

building for a middle school alternative class and a special education class. The general condition of the facilities was observed by the review team to be good to excellent. The schools were exceptionally clean and appeared to be well-maintained.

Hamilton Township - School Facility Profile

School	Grades	Enrollment(1997-98)	Square footage
Shaner	1	348	36,093
Hess	K, 2 - 6	1,711	210,000
Davis Middle	7 - 8	561	98,500
Duberson	Alt. & SE	16	36,715
Administration	N/A	N/A	5,561
Total		2,636	386,869

Note: Even though the Duberson school is leased out, as a condition of the agreement, Oakcrest pays for custodial services but the district pays for maintenance and utilities. For this reason it is included in the facility management analysis.

Custodial Staffing

During the 1998-99 school year, the Hamilton School District employed four full-time day custodians, assigning one each to Davies and Shaner and two to Hess. There were four part-time custodians, three doing cafeteria duty (20 hours per week) and one district courier (30 hours per week). There were 15 custodians providing night (or split shift) cleaning of the schools.

To identify potential cost savings, the review team analyzed custodial staffing needs using a quantitative, multi-step process based upon the size and use of the facilities. The process calls for LGBR to:

- Review any existing district work and time standards for the various cleaning tasks within the school facility.
- *Review the custodial negotiated agreements to determine the number of work-hours within a negotiated workday, and then reduce the workday by a rest allowance factor of 25%.*
- *Obtain floor plans of the facilities and insert task data into a “time on task” matrix using district standards. If no standards exist, use the following sample adopted from “The Custodial Staffing Guidelines for Educational Facilities” published by the Association of Higher Education Facilities Officers and “Good School Maintenance” published by the Illinois Association of School Boards, to determine required total cleaning time for each facility.*

TIME ON TASK GUIDELINES

TYPICAL SCHOOL AREAS	AVERAGE SIZE SQ. FT.	CLEANING TIME IN MINUTES
CAFETERIA	10,000	150
CLASSROOMS	1,200	15
CORRIDORS	1,000	5
ENTRANCES	112	5
GYMNASIUMS	10,000	45
LABORATORIES	324	20
LIBRARY/MUSIC	15,000	30
LOCKER ROOMS	1,960	25
OFFICES	1,200	8
OFFICES WITH CARPET	1,200	12
RESTROOMS	150	20
SHOPS/ART/HOME EC.	1,200	30
STAIRWAYS	Per flight	8
TEACHERS' LOUNGES/CAFÉ	1,200	20
AUDITORIUM	10,000	150
MULTIPURPOSE/GYM/CAFÉ	10,000	210
MULTIPURPOSE	2,400	40

Note: LGBR utilizes the above time standards for districts that do not maintain work time standards. The average time standard can be adjusted to reflect actual sq. ft. proportional to the standard sq. ft for an activity.

- *Divide this total of minutes by the total work minutes available (after adjusting by the rest allowance). The result is the number of staff needed to clean the facility.*
- *Compare actual and computed employee counts to determine if any staffing adjustments can be recommended.*

The review team completed the above analysis for the Hamilton School District to establish if current staffing levels were appropriate. It was determined that the daytime allocation of custodial staff (both full and part-time) for basic (statutory) boiler maintenance and service, general porter services and cafeteria coverage was appropriate.

Custodial Staffing Matrix Analysis Summary

	Currently Assigned	Suggested Staffing
Shaner	2	3
Davies Middle	4	5
Hess	9	9
TOTAL	15	17

As indicated, the current level of staffing is slightly below that suggested by the “time on task” matrix analysis. This finding would support that current night cleaning staffing is adequate. Given the high level of observed cleanliness in the schools, the review team would not recommend any changes in staffing or shift assignments at this time.

The review team also noted that the district has recently, through the collective bargaining process, restructured its custodial staffing and salary mix to help control and reduce cleaning costs. The district has implemented a new entry-level title of *janitor* with a starting salary of \$16,843, versus the starting salary of \$22,366 for custodians. If, through attrition, janitors replaced five entry-level custodian positions, the district would realize approximately \$27,000 in savings per year through this initiative.

The district also utilizes a supervisor position (reporting to the supervisor of buildings and grounds) who works in the evening to oversee cleaning at the schools. While at first this appears to be an additional “level” of supervision, it actually saves the district money by reducing the need for a “head” custodian at each school location. It also improves quality control by standardizing and monitoring means and methods. This would help explain why such a high level of cleaning can be attained with two fewer positions than recommended by the staffing cost analysis.

The savings (or cost avoidance) realized through this district initiative is estimated at \$24,000, the difference between a custodian’s and a head custodian’s salary at three schools (at an average differential of \$8,000 per head custodian). The district can also realize an additional \$27,000 in savings overtime as attrition allows additional custodial positions to be replaced with janitors.

Cost of Operations

The review process for identifying potential cost savings within the school district consists of the following:

1. Perform a square footage analysis for the district and compare the cost per square foot against regional benchmarks and other school districts reviewed by Local Government Budget Review teams. (For regional benchmarking, the review team utilizes the *American School and University [ASU]*, a national publication for facilities, purchasing and business administration. The ASU performs annual maintenance and operations surveys of school districts around the country. It provides reports on the cost to operate schools [including, but not limited to, payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies] on a regional level. Region 2 includes New York and New Jersey).
2. Identify and analyze budget lines and accounts that appear to be high in relationship to regional benchmarks and/or other districts. The following table summarizes the Hamilton School District's cleaning, maintenance, grounds and utility costs per square foot for the 1998-99 school year:

<u>Category/Expenses in Dollars</u>	Hamilton \$	Hamilton \$/S.F.	OCT 98 ASU \$/S.F.
<i>Salaries</i>			
Cleaning	570,219	1.47	1.70
Maintenance	194,252	0.50	0.41
Grounds	110,056	0.28	0.21
Total Salaries	874,527	2.25	2.32
<i>Supplies, Equipment and Contracts</i>			
Supplies and Equipment	125,007	0.32	0.29
Contracted Services	161,695	0.42	0.28
Misc.	5,666	0.01	0.00
Total Supplies and Contracts	292,368	0.75	0.57
<i>Utilities</i>			
Natural Gas	162,013	0.42	0.31
Electricity	509,489	1.32	0.68
Other Fuel	0	0.00	0.24
Subtotal (Lighting/HVAC)	671,502	1.74	1.23
Water/Sewer/Trash	95,351	0.25	0.23
Total Utilities	766,853	1.98	1.46
<i>Total Maintenance and Operations</i>	1,933,748	4.99	4.35
<i>Insurance</i>	23,000	0.06	0.17
GRAND TOTAL	1,956,748	5.05	4.52

Source: 1998-99 Comprehensive Annual Financial report (CAFR)/district payroll documents.

Based upon the cost per square foot analysis, a more detailed review was performed on the following areas:

Maintenance/Grounds Salaries

Maintenance and grounds salaries, expressed in dollars per square foot, are slightly higher than the ASU regional benchmark. Because Hamilton utilizes its three grounds staff for both grounds work and facility maintenance (during down time), for *initial* analysis, the two will be grouped. Combined, the district expends \$.78 per square foot for buildings and grounds salaries compared to the ASU benchmark of \$.62 per square foot. This difference represents approximately \$62,000 per year to the district (386,869 sq. ft. x \$.16 per sq. ft.).

Typically, higher salaries “per square foot” are the result of either excessive staffing, wages that are higher than average rates in the region, costly work rules and/or benefits in labor contracts or a combination of these factors.

The following table summarizes the average hourly rates (exclusive of benefits) for maintenance and grounds personnel for the 1998–99 school year and compares them to regional benchmarks:

	Hamilton Average 1998-99	Regional Mean Rates 1998*
GROUNDS	\$14.28	\$9.20
MAINTENANCE	\$15.63	\$19.66

*Source - “New Jersey Department of Labor 1998 Occupational Employment Statistics Wage Survey. Atlantic-Cape May County Area.” The regional rate for maintenance is computed by averaging the hourly rate for carpenters (\$22.10), electricians (\$20.90) and painters (\$16.00).

As indicated by this comparison, the Hamilton average hourly rate for maintenance workers is below the regional mean, but above the mean for grounds workers. As noted above, the district has three workers assigned to grounds work who perform maintenance during the winter and down time (estimated by district management at 30% of the year).

As reported by the district, the following table summarizes the ground acreage at each school. Additional columns have been added to reflect the review team’s assessment of the acreage requiring regular maintenance and mowing that could be completed by custodial staff and dedicated grounds staff. Specific observations on each school follow the table:

School	Total Acres Reported	LGBR Custodian Acres	LGBR Grounds Acres
Shaner	9.1	1	0
Duberson	2.4	1	0
Davies	40.0	2	17
Hess	92.8	2	3
Total	144.3	6	20

There is an estimated two acres of grass immediately adjacent to the Shaner and Duberson schools that requires mowing which could be accomplished by the Shaner day custodian with a riding mower (especially after the construction of the new addition at the Shaner School).

At the Hess School the day custodian could also mow the grass immediately adjacent to the school (two acres). This would leave three acres of playing fields to be maintained. Combined with the 17 acres at the Davies Middle School that requires mowing and maintenance, a total of 30 acres of ground requires the services of dedicated grounds staff.

Under *ASU* guidelines and LGBR experience, one grounds worker for every 25-30 acres is the benchmark where intensive athletic field “turf management” is *not* a requirement. Such is the case in Hamilton Township. Accordingly, one grounds worker should be dedicated to maintaining the district’s inventory (in addition to supplementing district maintenance staff). The district could thus reduce two current positions with an average position value of \$34,000 (at an average salary of \$27,000 for grounds plus 25% for pension and benefits).

The review team estimates that one FTE could maintain all of the grounds in three to four days per week (April-November). This would allow the balance of available time, plus winter months, to continue to support other maintenance activities.

An alternative to this proposal would be to negotiate agreement with Oakcrest High School (immediately adjacent to the Davies Middle School) to perform grounds maintenance at Davies, and reduce three grounds worker positions for savings of \$102,000 (less the contract cost to Oakcrest).

Recommendation:

Reduce two grounds worker positions at an average position value of \$34,000 each.

Annual Cost Savings: \$68,000

Contracted Services

The district’s costs for contracted services were \$.14 higher than the regional benchmark (\$.42 per square foot versus \$.28). However, upon further analysis, the review team found that the district was seeking competitive prices for services and has an appropriate balance between “in-house” resources and contracted services to meet the district’s statutory/regulatory building safety requirements.

Utilities

The district’s lighting and HVAC expenses (gas and electricity) are approximately \$.51 higher per square foot than the *ASU* regional benchmarks (\$1.74 versus \$1.23 per square foot). Even though these expenses are higher than the benchmark, they are consistent with other districts’ reviewed by LGBR staff in the South Jersey Gas and Conectiv Energy service areas. However, an analysis was conducted to determine if any potential savings could be identified.

A detailed review of the \$671,502 expenditure for gas and electric indicates that 67% of the total expenditure can be attributed to the Hess School; and excluding the Hess School, the square foot cost is virtually the same as the regional benchmark. **(See table below.)**

Hamilton Township Schools 1998-99 Gas and Electric Costs

School	Gas and Electric Cost	% of Total Cost	S.F. Cost
Shaner	\$51,322	8%	\$1.23
Duberson	\$24,065	4%	\$0.66
Davies	\$141,832	21%	\$1.44
Hess	\$454,283	67%	\$2.16
Total	\$671,502	100%	\$1.74
Total w/o Hess	\$217,219		\$1.23

The higher costs at the Hess School are attributed to the district's swimming facility that is utilized almost seven days per week, often for 15-16 hours per day, 12 months per year. The district has taken prudent measures to control utility costs, from installing energy efficient bulbs and digital controls to splitting systems (providing a stand alone boiler to heat the pool when the school's main boiler is off line). The district is to be commended for continuing to work with Conectiv Energy Solutions to monitor utility expenses and explore new technologies to control costs.

Work Order System

Even though the district has purchased and installed work order software, it does not maintain an effective work order system to track, schedule, assign, and plan facility related work. Under the current process, repair and/or emergency work is requested, and work orders are generated at the school level, then reported to the supervisor of buildings and grounds when complete.

Regularly scheduled and preventive maintenance work is performed and completed, but not verified by a "check list" as part of a monthly report to the supervisor of buildings and grounds. Schedules are not automatically developed and distributed. Performance standards are not maintained. Manpower and material costs are not assigned to complete work orders with routine status reports. Associated costs and budget balances are not provided to district management.

This is not to suggest that work is not being properly scheduled and monitored. However, without a work order system, it is just not possible to tell. The district has the advantage of having schools that reflect (to the eye) good maintenance and cleaning standards. It should take the opportunity to build on what it has, continue to improve quality, and further reduce costs. To do this, requires the ability to evaluate unit costs through a work order process.

In districts such as Hamilton the process can easily integrate the requirements of cleaning, maintenance (both contracted and in-house) and grounds with the scheduling and use of facilities, which will help control overtime and improve service. The planning and scheduling of work should also allow the district to reduce supply and contract costs (\$292,368 in 1998-99) up to five to ten percent by providing more predictable and reliable quantities and scheduling when seeking competitive prices. It can also provide regular reports to school principals (and parents) and district management on the status (and prioritization) of open work orders consistent with other district priorities and capital projects.

The district could either implement its current software, or internally develop a simple computerized work order system to meet these goals, with associated training for district staff.

Recommendation:

Implement a computerized work order process for the planning and scheduling of both routine and preventive maintenance work, and the coordination of school usage. Improved efficiency should help reduce supply and contract costs by 5%.

Cost Savings: \$15,000

TRANSPORTATION

The escalating costs of providing safe transportation for New Jersey's public and private school students has received increasing attention from the media, state and local officials and taxpaying residents. The review team has examined the level of service provided to the students in the district as well as the costs of these services.

State aid is provided to qualifying school districts under the provisions of N.J.S.A. 18A:39-1 through 25 which stipulates that elementary school pupils who live more than two miles from their public school or secondary pupils who live more than two and one half miles from their public school are entitled to transportation to and from school. In addition, the statute grants students attending a remote school other than a public school, operated not for profit, located not more than 20 miles from the pupil's residence, transportation within the requirements of the N.J.C.A. 6:21-1 through 2.7. These requirements include restricting the cost of non-public transportation to a stated per pupil amount (1997-98, \$675/1998-99, \$702/1999-00, \$707). If transportation cannot be provided for this amount or less, parents are reimbursed the legislated amount.

There are several terms utilized to differentiate between students whose transportation to and from school is an expense recognized as necessary and, therefore, qualifying for state aid, and those students whose services are provided for reasons of safety or other local conditions or policies. Students who reside a qualifying distance from the school are said to live "remote from the school house" or are termed "eligible" referring to state aid requirements.

"Courtesy" busing is defined as transportation of students who reside two miles or less from the school for elementary grades and two and one half miles or less for the secondary grades. Under state guidelines, this transportation is unaided, if provided. The term "courtesy" busing is used interchangeably with "safety" busing, "hazardous" busing and "ineligible" students, again referring to state aid qualifications.

District Operations

The district transportation department consists of a transportation supervisor, a secretary and one substitute bus driver. There are two school vehicles being utilized and maintained, although there are no actual bus runs assigned to district staff. Services for regular to and from transportation of students are provided through a joint transportation agreement with the Greater Egg Harbor Regional High School District. This agreement provides that Greater Egg Harbor, acting as LEA, will bid packaged routes for its own needs as well as those of Oak Crest High School and the Hamilton Township Schools.

[At the time of this review, February, 2000, transportation contracts and JTA's (Joint Transportation Agreements) for the multi-year bid could not be examined by the LGBR team as staff at Greater Egg Harbor were waiting for an opinion from the Bureau of Pupil Transportation regarding the language and structure of the contracts. This opinion was requested in July of 1999.]

Transportation "To and From" School

Routes for regular to and from transportation in Hamilton Township School District are contracted to private vendors through joint bidding with the Greater Egg Harbor Regional School District and the Atlantic County Special Services School District.

Prior to the 1994-95 school year, the Hamilton Township School District operated both a contracted and an in-house transportation system. The in-house operation consisted of 10 drivers and 10 buses and vans. The drivers were scheduled for at least four hours per day and received full benefits. Seven of the 10 buses were leased. During this same period, the school district hired a consulting firm to analyze the bus routes and design a tiered system that was to provide a more cost-effective and efficient transportation operation.

Transportation efficiency in public school districts can be defined as 'equal or improved services for fewer dollars'. The strategy of "tiering" bus routes and bidding the "tiers" as separate or combined packages is one of the methods utilized to increase efficiency and save transportation monies. When runs are combined or tiered, each vehicle is assigned to a group of runs, thereby utilizing the vehicle for as many hours during the day as is possible, without compromising instructional time. The basic principle of efficiency is:

Yearly vehicle operational costs, i.e., lease or amortized cost, repair parts and labor, and insurance expenses are stable, regardless of how many trips the vehicle is assigned to during the course of the year (excluding fuel, driver salaries, benefits, etc.).

When these operational costs are applied to Vehicle A for Year 1 at \$15,000 and that vehicle is assigned to only an elementary school run throughout the year, then the operational costs for that bus run would be \$15,000. The same vehicle assigned to runs for a high school, middle school and elementary school in the morning and afternoon produces a per run cost of \$5,000.

Historically, Hamilton Township has experienced difficulty in developing efficient transportation routes. The problems confronting the district in this regard are varied and include:

1. *Geographic Considerations*

The school district covers an exceptionally large area, approximately 113 square miles, with the location of the individual schools somewhat centralized, requiring longer bus routes to and from the area schools. The division of schools by grades rather than area exacerbates the routing problems.

2. *Board Policies*

The Hamilton Township Board of Education has an informal policy requiring that all bus routes within the district be restricted to a run time of 45 minutes. This restriction becomes an expensive burden when attempting to cut transportation costs in a district this size. This policy was noted in the initial joint bid analysis with Greater Egg Harbor Regional as one of the difficulties in preparing efficient route tiers.

Recommendation:

Extend the time allotment for bus routes from 45 minutes to 55 minutes. It is estimated that this change would allow for the elimination of four bus routes through consolidation.

Cost Savings: \$45,000

3. *Personnel Limitations*

The position of transportation supervisor in the Hamilton School District has been filled for the past three and a half years by promoting the transportation secretary. Prior to that, the supervisor was a promoted bus driver. These supervisors belong to the state organization (School Transportation Supervisors of New Jersey or STS) but do not attend meetings, nor have they taken any of the courses offered for certification as a pupil transportation supervisor.

While experience and certification are not prerequisites for the position of transportation supervisor, Hamilton Township's continuing problems with high costs and inefficient tiering of routes, can, in part, be linked to a lack of expertise in the transportation office. Insufficient support and monitoring of pupil transportation on the state level is also a factor.

In addition, the LEA's of record, Atlantic County Special Services School District and the Greater Egg Harbor Regional School District, have on staff, only slightly more qualified transportation personnel than Hamilton Township. A purchasing clerk handles transportation in Greater Egg Harbor, with assistance from the assistant superintendent for business. The supervisor at Atlantic County Special Services is not a current member of STS, and once again, she is a promoted secretary.

As noted earlier in this review, the Hamilton Township School District has made numerous attempts to increase the efficiency of its transportation operation, including the hiring of a consulting group to develop tiered bus routes. The routes developed by the consultants were unable to be utilized, however, due to their length.

Over the past three years, meetings have been held with the surrounding districts in an attempt to solve the problems of high transportation costs.

In June of 1999, the assistant superintendent for business of the Greater Egg Harbor Regional School District prepared a set of bid specifications which included routes for Hamilton Township and several other districts in the area. There were several problems with this bid as well, although the bid was accepted and the routes are being run as written. An outline of the difficulties surrounding this bid follows:

1. Meetings were held with the various transportation people in the districts, but they failed to develop successful tiers. When a consulting company was unsuccessful, the districts sought help from the Department of Education. The Bureau of Pupil Transportation was called on several occasions. The districts were eventually told by staff at the Bureau to turn the runs over to the contractors and ask them to develop effective tiers. [N.J.A.C. 6:21-13.1, c. Potential or successful bidders shall not draft specifications or route descriptions.]
2. A local contractor worked on the routes and submitted them to Greater Egg Harbor Regional for inclusion in a set of specifications that was being developed.
3. The bid was advertised in July, with over 80 routes included. With the routes to start at the beginning of school in September, many of the companies in the area opted not to bid due to a lack of drivers and equipment. Had the bid been advertised earlier in the year, arrangements could have been made which would have increased the competition at the bid.
4. The bid specifications called for a bulk bid that eliminated many of the companies because they did not have equipment sufficient to handle all of the work. Again, this created a situation where the bid was less than competitive. There were only two bidders, and one of the bidders did not offer a bulk bid and was therefore disqualified. [NOTE: the disqualified company bid routes for Hamilton that were less expensive than the bulk prices offered by the winning bidder.]
5. The analysis prepared by Greater Egg Harbor made incorrect references to portions of state statute. According to the analysis, Hamilton Township had been unable to renew the previous contract with a vendor due to the increase requested from the contractor. Citing the statute, the analysis stated that “the vendor requested a 30% increase which was in violation of the 7.5% limit permitted by statute.” The 7.5% increase ceiling cited in statute refers to multi-year contracts and only applies during the first four years of the multi-year contract. Contracts can be renewed up to 30% of the original cost over the life of the contract. Once increases have reached 30%, the contract can be renewed without further increases.

It should be noted that when Hamilton Township went out to bid for routes three years ago, the district did not require a bulk bid; it was advertised in a timely manner; and the bid was well received with several companies submitting competitive bids.

Courtesy Busing

Courtesy busing is defined as transportation provided for students who do not meet the state profile for eligible students to and from school. As stated earlier in this review section, pupil transportation is governed through statute, and school districts are provided with state aid for transportation for students who reside “remote” from the school.

Districts that transport students who live “less than remote,” or closer than the aided distances, are said to be providing courtesy busing. The districts which refer to this busing as “safety” or

“hazardous” busing make the argument that a lack of sidewalks and/or busy roadways make it unsafe for students to walk to and from school.

The following table gives an overview of courtesy busing in Hamilton Township for the past two years:

School Year	Courtesy Students	Regular Students
1998-99	150	2,051
1999-00	172	2,113

The regular student count excludes special needs, non-public and out-of-district special needs students.

The district has a policy that governs the provision of courtesy busing for students who travel along hazardous highways or roadways where there are no sidewalks and for pupils who live along routes that the district deems hazardous. The district provides courtesy busing for non-public students in addition to its public school students.

Legislation permits courtesy busing but does not fund it through state aid. However, legislation has been enacted which permits subscription busing whereby the families are charged for the costs of transportation if the students are not eligible under the state mileage restrictions.

While LGBR realizes that hazardous conditions and areas without sidewalks pose potential dangers to students who walk to and from school, providing transportation for less than remote students increases the tax burden on all citizens of the state.

LGBR also recognizes the futility of recommending the abolition of courtesy busing, particularly in an area such as Hamilton Township, where the schools are located within a town with increasingly heavy traffic patterns. Therefore, the team recommends the following:

Recommendation:

LGBR recommends that the district charge a fee for transporting the students who are not eligible for transportation because they reside in areas under the mileage limits and don't live along hazardous routes. (Students who are eligible for free or reduced lunch cannot be charged for “subscription” busing.) If the district charged 25% of the average cost of contracting a bus, \$3,750, multiplied by the number of buses necessary to transport students (4), the family contribution would be \$71 per student annually. However, since some students may qualify for free or reduced lunches and are not required to pay for transportation, only 70% of the families may be required to contribute. This could provide revenue in the amount of \$10,500.

Cost Savings: \$10,500

Extracurricular Transportation

Transportation services for athletic and field trips are procured through the bid process in association with the joint bidding agreement with Greater Egg Harbor. As there is little competition in the area for pupil transportation work, there would be little benefit in seeking numbers separately for extracurricular transportation.

The number of trips taken by the district is small, and a review of the costs revealed charges on an average with other districts in other parts of the state.

Non-Public Transportation

Students attending private or non-public schools are entitled to transportation under the same statute and guidelines that govern public school student transportation, i.e., elementary school pupils who live more than two miles from their school or secondary pupils who live more than two and one half miles from their school are entitled to state aided transportation. However, such transportation shall meet additional requirements. One of these requirements limits the cost of transportation for non-public students to a mandated amount, which is determined by the state each year. When the costs of transportation exceed this amount, the district must reimburse the parents for providing their own transportation to and from the non-public school. The amount of the reimbursement to parents is also restricted to the statutory amount.

In addition, parents requesting non-public transportation for their children must file applications with the district by set deadlines, meet distance requirements, and have their children enrolled in a not-for-profit non-public school.

During the year of review, 1998-99, Hamilton Township provided transportation to 252 non-public students and paid aid in lieu of transportation to the families of 49 students.

Transportation for these non-public students is supplied through joint transportation agreements with the Atlantic County Special Services School District and Greater Egg Harbor Regional.

Special Needs Transportation

Transportation for special education students in Hamilton Township is provided through joint agreements with the Atlantic County Special Services School District (ACSSSD). Route costs for these services during the 1998-99 school year ranged from \$3,120 to \$36,000.

The utilization of commissions and cooperatives is recommended as a source of efficiencies. Specializing in combining the needs of several districts into cost-effective routes, the role of these consortiums in pupil transportation in the state has grown tremendously. Several years ago the majority of commissions were merely conduits or LEA's, generating route packages, writing specifications and handling the bid process for the districts. With the increasing costs of vendor routes and the lack of competitive bids, more commissions and cooperatives are "going into the bus business." Purchasing vehicles and hiring their own drivers, the commissions and cooperatives are now competitors of the private vendors.

Atlantic County Special Services School District is one of the commissions that has entered into the “bus business” and is providing a variety of school van services with commission-owned equipment and personnel.

The term ‘competitor’ is not quite accurate, as educational services commissions are fully functional “school districts” and as such are not required to bid against private vendors, but may instead provide services for a fee to district members of the commission or enter into joint transportation agreements with non-members.

Just as privatization should not always be viewed as a quick fix for all district transportation problems, cooperative services are not always the most cost-effective method for attaining routes. In order for both of these to be effective, care must be taken in both the presentation of the information and supervision of the final product.

The LGBR team, when examining transportation costs, reviews the submitted state aid reports such as the DRTRS (District Report of Transported Resident Students) as well as the reported route information, vehicle assignments, and reported route costs. Invoices from the ACSSSD were reviewed for billing accuracy and the state aid reports from Greater Egg Harbor were obtained as an indicator of billing equity.

The following anomalies were noted on the 1999-00 reports and invoices as a result of the analysis for the Hamilton Township district:

1. Billing from the ACSSSD does not reflect total route costs or the total number of students being transported. Bills list only those students from the district being invoiced. Therefore, if a route is being shared by Hamilton, Galloway and Greater Egg Harbor, it isn’t possible to determine if Hamilton Township is being charged a larger share of the total route cost due to having the larger number of students transported on that route. There is also no indication given as to the formula utilized to determine costs.
2. In three separate instances, an ACSSSD vehicle was assigned to two Hamilton Township routes, but the invoicing did not reflect the savings gained by “tiering.” Instead, the district was charged as though the ACSSSD had incurred the costs of individual buses. The result of this oversight cost the district \$70,330 in unwarranted fees.
3. A comparison of costs incurred by both Hamilton Township and Greater Egg Harbor for a shared route to an out-of-district school revealed a total cost to the districts of \$45,657. The previous year, this route had a combined cost to the districts of \$13,640 and the ACSSSD vehicle was assigned to two additional routes for Hamilton Township, which should have further lowered the costs. This change in vehicle assignment cost Hamilton Township an additional \$9,000 in route costs.
4. Hamilton Township currently sends seven students to the Pineland Learning Center. These students are divided into two separate routes by ACSSSD with a total cost to Hamilton for the two routes of \$37,633. In addition, Greater Egg Harbor is also being charged for one of the routes to Pineland at a cost of \$28,265. It is estimated that the two districts are being overcharged by approximately \$15,000 each.

Recommendations:

LGBR recommends the following pertaining to special education route costs:

- 1. Districts participating in cooperative transportation through the commission (ACSSSD) should require additional route detail on monthly invoices such as, total number of students on route; number of students from each district; mileage per student; route costs per district.**
- 2. Districts participating should review all routes compiled by the commission prior to the start of the school year for cost and efficiency.**
- 3. Districts participating should develop route specifications for comparison bidding purposes if charges by ACSSSD continue to rise.**

Savings are based on correction of the overcharges noted above.

Cost Savings: \$94,330

FOOD SERVICE

The Hamilton School District's food service program is partially funded by both the state and federal governments. In addition, the district collects fees from students for the cost of meals. Lunches are served in all four of the district's schools. There is no breakfast program.

Scope of the Program

The district maintains production kitchens at the Hess Complex and the Davies School. Some items are prepared at Hess and transported to Davies. The Shaner School has only a serving kitchen. Complete lunches are prepared at the Hess Complex and sent to the Shaner School as well as the Duberson School. The Hess Complex food service facility serves as the pivotal point for the receipt, storage and distribution of food and other related items used throughout the district.

The district currently employs 17 food service workers including a cafeteria supervisor in charge of food service operations. Nine of the food service employees work six hours a day, three work four hours and another three work three hours per day. The cook at the Hess Complex works seven hours per day and the cafeteria supervisor is contracted to work an eight-hour day. The district does not employ any lunch aides. Salaries for food service workers range from \$10.81 to \$13.92 per hour. Cooks are compensated at a rate ranging from \$15.42 to \$17.92 per hour. The current starting rate is relatively high compared to other districts that the team has reviewed.

Prior to the 1996 school year, the district ceased the practice of providing full health and dental benefits to cafeteria employees; however, four of the cafeteria employees remaining from that staff were "grandfathered" into the benefits program. These four employees and the cafeteria

supervisor are the only food service employees receiving full benefits. Full benefits are now paid only when an employee works more than 30.5 hours per week. Benefits include full health coverage, dental and paid sick leave.

A review of payroll records revealed that some of the food service workers at the Hess Complex and Davies Schools are averaging an additional two to three hours per week to complete their jobs. Although, these workers are productive, the current hours assigned do not appear to be adequate to perform their tasks due to the rising increase in the number of students being fed each day. It was also noted that the cafeteria supervisor frequently has to set aside her supervisory functions to pitch in and help.

During the 1998-99-school year, 260,471 meals were served, including equivalent a la carte meals. A monthly analysis of the food service workers' productivity indicates that the workers produced an average of 20 lunches per hour and that surpasses the industry's 15 meals per hour benchmark.

The cafeteria supervisor's employment contract provides for the payment of a \$500 bonus if the lunch participation rate is increased by 20%. According to documentation provided by the district, the participation rate increased by 20% during the school year, which ended June, 1999. This rate was accomplished in part by the addition of attractive a la carte offerings and improved meal choices.

An analysis of total meals served and the cost of those meals served for the 1998-99 school year is provided in the table below. A la carte equivalent is based on total revenue divided by the student lunch price of \$1.50.

Analysis of cost per Meal	1998-99
Paid	106,490
Reduced	23,605
Free	85,285
A la carte (equivalent)	45,091
Total Lunches	260,471
Labor costs	\$292,027
Other costs	\$290,739
Total overhead costs	\$582,766
Labor cost per meal	\$1.12
Other cost per meal	\$1.12
Total overhead cost per meal	\$2.24

Operations

The district currently charges \$1.50 per student lunch. Reduced price lunches are \$.40 and adult lunches are \$2.75.

According to the audited 1998-99 enterprise fund statements, the school food service program showed a \$15,343 profit based on total revenues of \$283,711 of meals sold, \$236,400 of state and federal reimbursements and \$82,689 in board contribution.

It should be noted that the board contribution consisted of year-end reimbursable salaries and wage costs, and benefits costs that were formerly paid by the board. Prior to the 1997-98 school year, the board paid the benefit costs of four food service employees previously mentioned in this report. The costs of these benefits are currently being paid by the enterprise fund account.

Another employment incentive for the cafeteria supervisor is to reduce board contributions by 10%. According to records provided by the district, the board did not make any contributions to the food service program during the one year that the district has employed the cafeteria supervisor.

A review of the January, 1999 food service records revealed that \$12,918 of accrued sick time was paid out of the enterprise fund account to a food service worker who retired during this school year. This payment should be taken into account when the results of the food program operation profitability is reviewed for the 1999-00 school year.

Observations

The team noted that each cafeteria displayed a high level of cleanliness and organization. It was also noted that the district supplies its cafeterias with quality equipment. During the tour of the Hess Complex, the team noted that an industrial sized mixer was not being used. Based on conversations with the cafeteria supervisor, the mixer is not being used in the food service operations. The team also noted during its tour of the Hess facilities that freezer space is limited and is not adequate to store the volume of food used in the district.

The district does not offer a breakfast program even though it qualifies for breakfast reimbursements from state and federal agencies. It was also noted that the cafeteria supervisor receives approximately one request a day from the school nurse to provide breakfast for a student who comes to school hungry.

The team's review of the food service record keeping function revealed that the district uses stand alone cash registers that do not adequately identify the types of lunches sold in accordance with the Child Nutrition Program standards. It was also noted that cashiers are being paid for additional hours (from an hour to an hour and a half), to help the supervisor count the day's receipts due to the increase in daily sales (approximately \$500 per day).

The team also noted that the cafeteria supervisor has managed to streamline portions served per meal. She has created alternative methods to earn additional income for the food service program by charging for meals served at special functions and by raising the price of adult meals.

The team commends the cafeteria supervisor for the innovative methods that she has employed to improve and enhance the district's food service program.

Studies conducted by the US Department of Agriculture have shown that school districts that serve breakfast have noted the impact that breakfasts have on children's school performance, including discipline, test scores, attendance and other measures of educational achievement. These reports also indicate that breakfast programs infuse a new level of energy into the school day; students are more attentive and are in the classroom more consistently.

The team has noted from discussions with school personnel that the food service staff could prepare nutritious cold breakfasts. Based on preliminary calculations, breakfasts could be sold at an approximate profit of \$.65 per meal. Revenues earned from the breakfast program could be used to hire lunch aides to supervise the children participating in the breakfast program.

Recommendations:

The team recommends that the district and parents try a pilot breakfast program at the elementary schools and gauge the results of such an effort.

The district should consider upgrading its food service record keeping function by using a computerized point-of-sales system that coordinates with the district's student database. This would enhance the efficiency of record keeping in accordance with the Child Nutrition Program. The cafeteria supervisor could also benefit from the use of an effective school lunch related computer program.

The district should also consider hiring a part-time food service clerk to assist the cafeteria supervisor in keeping records of daily meal counts and cash receipts, as well as other record keeping functions. The cafeteria supervisor would then have more time to devote to the promotion of nutritious meals. This person could cover in the absence of the cafeteria supervisor. Currently, the supervisor is the only administrative person in the food service program who is knowledgeable of operations.

Value Added Expense: \$9,600

The present food service supervisor has brought about favorable changes and managerial improvements during her short tenure; but there are other costs that should be considered in streamlining the costs of operations.

According to industry standards, the average cost of producing and serving a school lunch ranges from \$1.85 to \$2.00. Based on the team's review of private food service contracts in other districts, the total cost including food, labor and management fees for a typical food service program ranges from \$1 to \$2 per meal. Using the highest range cost per meal rate charged by private management, the board could yield the following savings:

Cost per meal for Hamilton Township Schools	\$2.24
Cost per meal from private management	\$2.00
Net Savings per meal	\$0.24
Number of meals served in 1998-99	260,471

Recommendation:

Based on the savings that could have been achieved through privatization during the 1998-99 school year, the board should consider soliciting RFP's to privatize its food service program.

Cost Savings: \$62,513

BOARD OF EDUCATION

Board Member/Superintendent Expenses

The review team conducted an analysis of board member expenses for the 1998-99 school year. The analysis revealed that most of the expenses were related to advertisements (\$22,004), insurance deductibles (\$2,500), printing (\$1,002), membership dues (\$575), food (\$976), workshops (\$815) and miscellaneous expenditures (\$1,872). Most of the advertisement expenses were related to the board meetings, school budget and employment. The board tries to keep its expenditures to a minimum by not attending any conferences requiring overnight accommodations. The board has a specific policy in regard to board member expense reimbursement. A dollar limit for travel is set in the board policy. The board does not issue credit cards or cellular phones to its members. Overall, funds expended from the board expenses account appear to be appropriate.

III. COLLECTIVE BARGAINING ISSUES

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally through a well-conceived process of redeveloping compensation packages to be equitable and comprehensive. For this reason we present those issues subject to collective bargaining agreements separately, in this section.

Negotiated Contracts/Agreements

The LGBR team reviewed two collective bargaining agreements and numerous individual contract agreements within the school district. The following chart illustrates the bargaining unit, the employees represented and the terms of the contracts reviewed:

UNIT	EMPLOYEES REPRESENTED	CONTRACT PERIOD
Hamilton Township Adm. Assoc.	Principals, Vice Principals, Curriculum Supervisor and Special Education/CST Supervisor	7/1/99 – 6/30/02
Hamilton Township Ed. Assoc.	All Certified Teaching Personnel and Support Staff	7/1/99 – 6/30/00
11 Individual Contracts	Central Office Personnel, Buildings & Grounds, Custodial, Transportation, Food Service Supervisor, SBA, Superintendent, Nurse and Physical Therapist	Various

With a few exceptions, all full-time employees from the district have the following medical coverage:

1. **Medical** – The employee will be afforded the opportunity to enroll in the New Jersey State Health Benefits Program. The board pays all the premium charges for the type of coverage selected, except for the traditional plan. The employee will pay 15% of the dependent coverage for the traditional plan.
2. **Prescription** – The board pays 100% of the premium cost for employee and dependents for a prescription drug program. The program has a zero dollar co-pay for mail-in, \$7.50 co-pay for generic prescription drugs, and a \$15 co-pay for name-brand prescription drugs.
3. **Dental** – The board provides a dental insurance program for the employee and dependents, and the board pays 100% of the premium costs of the program.
4. **Vision** – The board pays 100% of the premium costs for the employee and dependents for the vision care program.
5. **Voluntary Incentive Plan** – Employees who are eligible for any enrollment level and who waive all coverage for any of the three types of insurance (prescription, dental, vision) shall receive 30% of the premium cost of the waived insurance.

Specific details on the health insurance coverage of the district employees are included in this report's section on Health Benefits.

Staff Contracts

Unused Sick Leave Reimbursement

Eligibility for this plan is restricted to district employees who retire after a minimum of 15 years of district service or voluntarily terminate for other reasons after a minimum of 20 years of district service.

Administrators are granted 12 paid sick days per fiscal school year, with any unused sick leave carried over to the next year and accumulated year to year. All administrators who retire receive \$100 per diem for each accumulated sick day with a maximum payment of \$12,000.

Teachers who qualify for the plan receive a payment computed by multiplying the number of unused sick days accumulated in the teacher's personal illness bank by the fully certified substitute pay rate in effect at the time of his/her retirement. The maximum amount payable under this plan is \$12,000.

Support personnel who qualify for the plan receive a payment which is computed by multiplying the number of unused sick days accumulated in the employee's personal illness bank by the following amounts: secretaries, \$30 per day; custodians, \$30 per day; maintenance, \$30 per day; instructional aides, \$30 per day; food service personnel, \$20 per day. There is no maximum level set for sick pay incentive payout for the district's support personnel.

Eligible employees have the option to spread the payment over the period of two years following retirement.

The district has no policy requiring medical documentation from employees, either for intermittent or extended periods of absence.

Recommendation:

In an effort to reduce sick leave usage, it is the recommendation of the team that a policy be developed to require medical documentation following some set number of absences, or where there is reason to suspect abuse, e.g., patterns of taking off on Fridays and Mondays.

Longevity

The contracts include provisions for longevity payments to teachers. Each teacher is granted a longevity increment for every five years of service beyond the 16 years within the district as follows:

- 1.5% of salary on the 16th to the 20th year
- 2.0% of salary on the 21st to the 25th year
- 3.0% of salary on the 26th to the 30th year
- 5.0% of salary on the 31st to the 35th year

In addition, the contract provides longevity payments to support personnel. Support personnel, except secretaries hired after July 1, 1996, receive longevity increments at the following rates based upon the successful completion of the following periods:

5 years in the district	\$300 per year
10 years in the district	\$400 per year
15 years in the district	\$500 per year

Secretaries hired after July 1, 1996 receive longevity increments at the following rates based upon the successful completion of the following periods:

11 years in the district	\$400 per year
16 years in the district	\$500 per year

In the 1998-99 school year, there were 42 certified staff and 50 support staff drawing longevity payments from the district that totaled \$70,366.

Recommendation:

LGBR does not support the concept of longevity payments. Salary guides should reflect true compensation values, and additional payments for years of service beyond that provided in salary guides should be discontinued. The Hamilton Board of Education should consider taking one of two actions with regard to longevity payments. Either the district should reduce or eliminate longevity payments from salary guides in future negotiations; or else those covered by this agreement should only receive longevity pay on the anniversary date of employment each year as currently provided, i.e., 20 years, 25 years and 30 years, as contained in the district's association agreement, rather than each year as currently provided. This latter option would result in 80% annual savings.

Custodial and Maintenance

A black seal license is required by the Department of Labor (N.J.S.A. 34:7-1) to monitor a low-pressure boiler system when it is in operation. Whenever a public building is occupied and a low-pressure boiler is in service, an employee holding this license must be on duty.

According to the new contract language, the board will assume the cost of training newly employed personnel who are required to obtain a black seal or similar license. Training for the license costs the district approximately \$85 per individual. Two district maintenance employees possess a black seal and a CPO license while the remaining five maintenance workers possess only a black seal. In addition, one maintenance supervisor maintains a CPO license. The current

contract states a holder of a black seal or a CPO license will be paid \$650 per year. The total payment in the fiscal period 1999-00 to eight district employees for the possession of seven black seals and three CPO licenses is \$6,500.

Recommendation:

Possession of a black seal and/or a CPO license should be a condition of employment, and as such should not constitute a basis for additional employee compensation.

Potential Cost Savings: \$6,500

Individual Contracts

Within the district, there are 11 employees that have individual contracts, represented by the following positions:

1. Superintendent
2. Transportation Coordinator
3. Supervisor of Accounting Services
4. Supervisor of Cafeteria Services
5. Supervisor of Custodians
6. Supervisor of Buildings and Grounds
7. Community Education Director
8. School Business Administrator
9. Attendance Officer
10. Technology Coordinator
11. Technology Technician

All of the individual contracts are relatively consistent with the terms and conditions within the two major labor agreements (education and administrators' associations) that the district maintains for their administrators, teachers and support staff. The same cap limitations that apply to sick leave incentive (\$12,000 maximum payout), and annual educational improvement allotments for the major labor agreements also apply for the individual agreements. Sick and personal leave within the individual contracts is consistent with the two major agreements. Vacation leave varies from contract to contract and ranges from five days per year for the supervisor of cafeteria services to 20 days per year for the school business administrator and superintendent.

The one distinct area, in regard to the above individual contracts, which separates them from the two major agreements, is the benefit of annual merit bonuses. Eight of the 11 individual contracts maintained by the district have an attached annual merit bonus which ranges from \$400 per year to a 1% merit raise of current salary level. The merit bonuses for each position are illustrated below:

POSITION	ANNUAL MERIT BONUS	REASON
Supervisor of Accounting Services	\$400*	Achievement of Annual Goals
Transportation Coordinator	\$400*	Achievement of Annual Goals
Supervisor of Custodians	\$400*	Achievement of Annual Goals
Supervisor of B&G	\$500*	Achievement of Annual Goals
School Business Administrator	\$600*	Achievement of Annual Goals
Technology Coordinator	\$500*	Achievement of Annual Goals
Superintendent	1% Raise**	Achievement of Annual Goals
Supervisor of Cafeteria Services	\$500	20% Increase in Participation
	\$500	10% Decrease in Board's Subsidy

* Determined by superintendent

** Determined by board

Board Office Personnel

In addition, five board office personnel have individual contracts. These contracts are also consistent with the terms and conditions within the two major agreements that the district maintains for its administrators, teachers and support staff.

The term for each of the five individual board office personnel contracts is from July 1, 1999 through June 30, 2002. The titles that are covered by the contracts are the secretaries to the superintendent and business administrator, payroll benefits coordinator, accounts payable clerk and personnel secretary.

The one area, regarding the board office personnel individual contracts, which separates them from the two major agreements is the benefit of receiving longevity increments after five years of service within the district. The longevity increment schedule for the central office support personnel is listed below:

- 5 years in the district - \$300 per year
- 10 years in the district - \$400 per year
- 15 years in the district - \$500 per year

For fiscal year 7/1/99-6/30/00, four of the five board office personnel are entitled to longevity increments for a total of \$1,800 per year.

Recommendation:

As with the recommendation under the staff contracts, LGBR does not support the concept of longevity payments for the board office personnel. Compensation should be based on job responsibility and quality of performance, not solely on years of service.

Health Benefits

Health benefits for district employees are provided under the State Health Benefits Plan (SHBP). The school board spends approximately \$1,373,000 for coverage on 291 employees. The board also provides prescription coverage at a cost of \$275,000 for 294 employees and nine COBRA participants; dental coverage at a cost of \$410,000 for 288 employees and seven COBRA participants; and vision coverage at a cost of \$40,000 for 285 employees. All costs are based upon an annualization of health care bills from December, 1999.

Most of the district's employees have selected managed care options. This is due to incentives found within the current negotiating agreement. The agreement calls for some people to pay a portion of their health benefits costs dependent upon levels of coverage as well as plan selection. This appears to be too limited in its approach and has resulted in some question of equity. While the district's policy is not expressly prohibited by statute, it is not expressly permitted either. There are alternatives to the negotiated cost-sharing arrangement which, in the opinion of the review team, more adequately accomplish cost savings while being considered a more acceptable practice by the State Treasurer's Division of Pensions and Benefits.

If the district were to assume the "other-than-single portion" of costs for health benefits up to the NJ Plus family cost level, it would permit everyone in the district a no-cost option for health benefits. The employee who selects a plan that is more costly than the NJ Plus Family plan would be required to pay the difference in cost. The amount of cost sharing would increase from \$18,300 to \$92,900 (based upon 2000-01 school year costs). More importantly, more of the district's employees would account for costs when deciding upon a health plan.

Recommendation:

The district should negotiate a more practicable cost-sharing plan. Using the design outlined above, the district could save an additional \$74,600 and still provide a "free" plan to all its employees.

Potential Cost Savings: \$74,600

Prescription Plan

The board's prescription plan is run independent of SHBP. The cost of the plan is about \$275,000 per year. Increases for prescription plans have recently been in the 20% range and this cost center for health benefits has been of more concern than in the past. The district currently has a \$10-generic and a \$15-brand name co-pay for medications. They recently negotiated this up from \$5/\$10. Given the fact that this is now a 15% component of the district's health care costs, the review team believes that the district could save on its current costs and lower its potential future increases by negotiating several plan design changes.

According to a study by a pharmacy administrator, plan design changes can be implemented to curb costs for benefit plans. A broker has suggested to the district and the review team concurs, that a three-tier co-pay would help the district reduce costs. This suggestion can save an additional 6% to 10% or \$16,500 to \$27,500. Another district under study by the review team has implemented an "other-than-generic" pricing policy. This allows the administrator to charge the patient the difference in costs between a generic medication and a brand name medication.

According to the study, this can be expected to save 7% to 10% of a prescription plan's costs, or \$19,250 - \$27,500. While it is tempting to simply add up these cost savings, it is not a reasonable method of obtaining savings. If the district were to combine these two methods of cost sharing, the district could reasonably expect to save 10% to 15% or \$27,500 - \$41,250.

Recommendation:

The district should negotiate with its unions for both a three-tier co-pay and an “other-than-generic” pricing mechanism. The savings would range from 6% to 15%, or \$16,500 - \$41,250.

Potential Cost Savings: \$16,500 - \$41,250

Dental Coverage

The district pays approximately \$410,000 for dental coverage through the same provider that they have for prescription coverage. This works out to a net cost of about \$650 per employee per year. Another district has successfully negotiated a provision for a ceiling cost to the district. If the district were able to negotiate an other-than-single co-pay for dental, whereby anyone who selected coverage with a cost higher than \$40 per month would pay the difference in costs, the district could save \$61,000 $[(208 \times 23.77 \times 12) + (25 \times 5.77 \times 12)]$ based upon current costs. Another alternative practiced in the state for its employees requires that the employees pay 50% of the premium's cost, saving about \$95,000.

Recommendation:

The district should negotiate a cost-sharing provision with its employees whereby an employee who selects coverage that costs over a specified limit (e.g., \$40 per month), pays the difference; or the district could negotiate a 50% premium co-pay.

Potential Cost Savings: \$61,000 - \$95,000

IV. SHARED SERVICES

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation. The Hamilton Township Board of Education participates in a number of shared service arrangements that provide needed resources and services at reasonable costs. Examples include the following:

Facilities

School facilities, e.g., fields, cafeterias, auditoriums and gymnasiums, are used by various community groups (e.g., Senior Citizens) and recreation programs during the course of the year. There is minimal or no charge for non-profit organizations using the facilities on weekdays and/or evenings and designated fees for organizations making a profit. The swimming pool is leased out to the Oakcrest and Millville High Schools and the Duberson School is leased by the Greater Egg Harbor Regional High School District for use as an alternative school. Because Hamilton also uses space in the Duberson School, the two districts, Hamilton and Greater Egg Harbor, share building maintenance and custodial service costs, as well as the costs for a psychologist, counseling services and physical education instruction.

Operations and Services

The municipality and school system share several functions. For example, the school system mows the municipal lawns, whereas the municipality provides salting and street sweeping of the parking lots and driveways. The school district and municipality assist each other in certain grounds maintenance functions, vehicle maintenance, engineering services and use of maintenance equipment. Right-to-know training is another shared service with the municipality. The local police department provides the DARE Program for elementary students. The school and municipal libraries maintain on-line services and share resources, with the municipal library keeping on hand a copy of each of the school district's textbooks. The district works with the county in paper recycling and use of the fuel facility.

Hamilton, on occasion, shares functions with other area school districts for such services as in-service training, staff development and course offerings. The Greater Egg Harbor Regional High School District assists Hamilton in the lining of athletic fields. Hamilton Township is presently a member, along with other districts in Atlantic and Cape May Counties, of a Joint Insurance Fund (JIF).

Purchasing

Along with other districts, Hamilton Township takes part in several purchasing jointures, cooperatives, etc., for such items as school office, medical and custodial supplies, copy paper, textbooks, telephone long distance service, cafeteria commodities, energy usage, natural gas, milk, bread, salt and sand. The district also purchases gasoline with the municipality.

Technology

Schools and municipalities have an opportunity to share services when it comes to technology. Technology usage remains the same for the public and private sector. Variances occur regarding software applications for specialized functions like finance or student scheduling; however, there are areas where software applications are essentially the same, e.g., operating systems, fleet management, maintenance and grounds, word processing and spreadsheet usage, as well as the hardware used in network construction.

The team feels that the school district and municipality have an opportunity to create a merged technology department. A shared department would enable both government entities to save money through cooperative purchasing and shared personnel. In order to create a merged department, the school district would need to stabilize its funding and eliminate the micro-managing issues.

Transportation

The district takes advantage of transportation services, along with other area schools through joint transportation agreements. Services include transporting students attending public and non-public schools and special education runs. Additionally, activity runs, field trips and athletic event needs are bid through the cooperative efforts of joint transportation agreements, thus reducing costs.

State Incentives

There are two new state programs designed to encourage and reward local governmental units to regionalize services with other units of local government. The Regional Efficiency Development Incentive Act (REDI) provides funds to local units to study or to implement joining services. The second program, REAP (Regional Efficiency Assistance Program), provides direct tax relief to residential taxpayers for any local government regional service agreement signed after July 1, 1997. These programs are jointly administered by the New Jersey Department of Education and the Department of Community Affairs (DCA), Division of Local Government Services. The city is encouraged to contact DCA for additional information. The website numbers are as follows: for DOE it is www.state.nj.us/njded/grants/redi.htm, and for DCA it is www.state.nj.us/redi.

Scheduling of School Facility Usage

The use of school facilities application process is presently being performed by a staff member in the office of the director of buildings and grounds. Her responsibilities include:

- mailing applications to interested parties;
- receiving completed applications, release forms, indemnity and hold harmless agreements, insurance certificates, etc.;
- verifying that requests are not in conflict with other school activities, scheduled repair/construction, maintenance and/or custodial events;
- coordinating the mailing of contracts to rental groups;

- posting scheduled activities to the school use calendar and distributing schedules to appropriate parties (school principal, custodian, organization/staff member, etc.); and
- receiving and/or following up on the collection of fees (if required), payment for damages, etc. (Payments are due in full one week following the scheduled event.)

Additional activities include monitoring of evening events to assure that appropriate supervision is being provided. It is the opinion of the review team that 75% to 80% of the "process" could be eliminated through technology, i.e., automating the application/instructions and posting schedules to a School/Municipal Web Page. An easy to use software program could be utilized to input permit applications. In most other districts studied, it is the principal (or her/his representative) who is responsible to see that the programs/events are appropriately supervised.

The municipal recreation director previously coordinated school use for both the town and school. With the above technology enhancements, the review team feels that this recreation director could assume the function once again. Based on discussions with school personnel, certain changes must be made if the recreation director is to reassume this function. There must be adequate supervision for the duration of all after school and evening activities, that is from 3:00 p.m. to 9:00 p.m. on weekdays.

Recommendation:

The position of scheduler of school facility usage should be terminated and the functions transferred to the municipal recreation director's office.

Cost Savings: \$22,000

LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS

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